No. 06-____

IN THE

Supreme Court of the United States

TRANSCLEAN CORPORATION, et al.,

Petitioners,

v.

JIFFY LUBE INTERNATIONAL, INC., et al.,

Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the doctrine of judicial estoppel precludes a party from taking alternative and allegedly inconsistent positions in a proceeding where (a) the positions are on a question of law and (b) the party achieved no judicial success from its asserted earlier position.

2. Whether a court of appeals has jurisdiction or discretionary authority to reverse a judgment to the benefit of a party that neither filed an appeal nor a cross-appeal pursuant to Fed. R. App. P. 4(a)(1) or 4(a)(3), and that never even appeared before the court of appeals.

PARTIES TO THE PROCEEDINGS AND RULE 29.6 STATEMENT

Petitioners in this case are Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson.

Transclean Corporation has no parent corporations or publicly held companies owning ten percent or more of its stock.

Respondents are Jiffy Lube International, Inc., Regional Car Wash Distributors, Inc., Walt Gislason (doing business as Walt's Soft Car Wash), Mike's In and Out 10 Minute Oil Change, Indy Lube, Inc., Fresh Start, Inc., Lubrication Technologies, Inc., Layne R. Base (doing business as Heartland Express Lube), Perfect "10" Quick Lube, Inc., Ultra Lube, Inc., Bob Clemons (doing business as Wonder Lube), Bill Clark Oil Co., Inc., Royal Lube Service, Inc., 13 North Express Lube, Inc., Spot's Quick Lube, Inc., and White Bear Tire & Auto, Inc.

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Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

Petitioners Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson respectfully petition this Court for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the Federal Circuit is available at 474 F.3d 1298 and is reproduced at page 1a of the appendix to this petition ("App."). The unpublished orders of the District Court are reproduced at App. 20a, 33a.

JURISDICTION

The judgment of the Federal Circuit was entered on January 18 2007. App. 1a. The Federal Circuit denied a timely filed petition for rehearing or rehearing en banc on March 23, 2007. App. 48a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

Section 271(a) of Title 35, U.S. Code provides, in pertinent part, that "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States * * * infringes the patent."

INTRODUCTION

This case raises two important and recurring questions of judicial procedure that are each the subject of persistent and irreconcilable division among the courts of appeal—including one question on which this Court previously granted certiorari but was unable to resolve. The first question implicates two of the requirements for judicial estoppel, a doctrine this Court has never thoroughly addressed despite its widespread importance to the administration of justice and the well-recognized and longstanding confusion in the circuit courts over it. The second question asks whether a court of appeals has jurisdiction or discretionary authority to reverse a judgment to the benefit of a party that filed no appeal or cross-appeal. Almost every circuit has spoken on the issue, and the score is 7-5. Indeed, this Court has already determined that certiorari is warranted on that question. In *Zapata Indus.* v. *W.R. Grace & Co.*, 536 U.S. 990 (2002), this Court granted certiorari to address that precise issue but was unable to resolve it because the case was voluntarily dismissed. *See* 537 U.S. 1025 (2002). This case thus presents an opportunity to resolve the conflict in the lower courts not only over the question previously accepted for review in *Zapata*, but also over the equally important and, in this case, integrally related, doctrine of judicial estoppel.

STATEMENT OF THE CASE

A. The *Bridgewood* Litigation. Petitioner Transclean Corporation is the exclusive licensee of U.S. Patent No. 5,318,080 ("the Patent"), which is owned by petitioners James P. Viken, Jon A. Lang, and Donald E. Johnson. The Patent claims an apparatus for changing automatic transmission fluid. In 1997, petitioners (collectively, "Transclean")

sued Bridgewood Services, Inc. ("Bridgewood"), alleging that a transmission fluid changing machine (the "T-Tech" machine) manufactured and sold by Bridgewood infringed the Patent. Transclean obtained a judgment against Bridgewood, which included a damages award of $1,874,500. Bridgewood appealed and the Federal Circuit affirmed the judgment in 2002. *See Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002).

B. The District Court Decision. Transclean could not collect on its judgment against Bridgewood due to Bridgewood's insolvency. Thus, Transclean exercised its right, recognized in *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884), to bring a separate action for infringement against customers of Bridgewood (automobile service companies) that bought and used the infringing T-Tech machines. In *Birdsell*, this Court rejected the argument that "a decree in favor of [a] patentee * * * for making and selling a patented machine, is a bar to a subsequent suit by the patentee against another person for afterwards using the same machine within the term of the patent." *Id.* at 487. Rather, where, as here, the patentee has not received full compensation from a manufacturer of an infringing machine, the patentee is entitled to bring separate actions against customers that use the machines. *Id.* at 488.

Having recovered nothing from Bridgewood, Transclean thus brought infringement claims in the District of Minnesota against more than thirty other companies that used the infringing machines. Some defendants settled. Seven defendants (the "Defaulting Defendants") never answered the complaint and the District Court entered default judgments against them.[1]

The remaining nine defendants, led in the litigation by respondent Jiffy Lube International, Inc. (collectively, "Jiffy

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[1] These defendants are respondents 13 North Express Lube, Inc., Bill Clark Oil Co., Inc., Royal Lube and Service, Inc., Spots Quik Lube, Inc., White Bear Tire & Auto, Inc., Ultra Lube, and Bob Clemons (doing business as Wonder Lube). App. 17a-19a.

Lube" or the "Participating Defendants"), answered and litigated the claims against them.[2] The parties filed cross-motions for summary judgment. For its part, Transclean argued unsuccessfully that the question of infringement need not be relitigated because the *Bridgewood* judgment barred the defendants from contesting infringement under the doctrine of issue preclusion. Transclean contended, *inter alia*, that the defendants were, as a matter of law, in "privity" with Bridgewood for issue preclusion purposes. Fed. Cir. J.A. at A902. The legal basis for this contention was that the customer defendants were "adequately represented" by Bridgewood under Eighth Circuit issue preclusion law. *Id.* at A903. The only *fact* asserted as relevant to this legal position, however, was that the defendants "use[d] * * * an infringing product manufactured by Bridgewood." *Id.* at A903.

The District Court denied Transclean's motion on issue preclusion without reaching the question of privity. Instead, the court denied the motion because it concluded that the question of infringement was not "actually litigated" in the *Bridgewood* litigation. *See* App. 43a (infringement not litigated because the determination "was in large part a sanction for abuse of discovery against Bridgewood").

Jiffy Lube moved for summary judgment, arguing that under *Mars Inc.* v. *Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 620 (Fed. Cir. 1995), claim preclusion applied even though Jiffy Lube and its customers are unrelated entities. In its opposition, Transclean stated that "[u]nlike *Mars*, this case involves two sets of defendants who have no ownership relationship (*e.g.*, as parent and wholly-owned subsidiary corporations), but are in privity because Bridgewood was a manufacturer of the infringing product

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[2] In addition to Jiffy Lube International, these defendants are respondents Regional Car Wash Distributors, Inc., Walt Gislason (doing business as Walt's Soft Car Wash), Mike's In and Out 10 Minute Oil Change, Indy Lube, Inc., Fresh Start, Inc., Lubrication Technologies, Inc., Layne R. Base (doing business as Heartland Express Lube), and Perfect "10" Quick Lube, Inc.

and Jiffy Lube is a user of the same infringing product." Fed. Cir. J.A. at A670. Transclean further stated that "although there exists privity between Bridgewood and Jiffy Lube as a result of their relationship as manufacturer and user of the T-Tech devices," claim preclusion was *not* warranted because "neither entity exercises control over the other, nor has either entity financed or controlled the defense of the litigation against the other." *Id.* at A671 n.3. Thus, Transclean made clear that the sort of privity existing between Jiffy Lube and Bridgewood—stemming solely from a manufacturer-customer relationship—was *not* sufficient for claim preclusion to apply under general legal principles.

The District Court granted Jiffy Lube's motion on claim preclusion and dismissed all claims against the Participating Defendants. As for the privity requirement, the District Court incorrectly remarked that the issue was undisputed, but it made no express holding that Jiffy Lube and Bridgewood were in privity as a matter of law. App. 36a.

After its grant of summary judgment to the Participating Defendants, the District Court granted Transclean's motion to enter final default judgments as to the Defaulting Defendants. The court, however, awarded a lower amount of damages than Transclean had sought, based on the royalty amount awarded in the *Bridgewood* litigation. App. 26a. The court also granted Transclean's motion for treble damages and attorneys' fees against the Defaulting Defendants, because they had failed to contest the allegations of willful infringement. App. 27a-28a.

C. The Federal Circuit Decision. After entry of final judgment disposing of all claims, Transclean filed a timely notice of appeal to the Federal Circuit challenging both the judgment in favor of the Participating Defendants (Jiffy Lube et al.) and the District Court's decision to assess a lower amount of damages against the Defaulting Defendants. The Participating Defendants appeared in the Federal Circuit as appellees defending the judgment in their favor. The Defaulting Defendants, however, filed neither a notice of

appeal nor a notice of cross-appeal seeking reversal or modification of the judgments for damages and attorneys' fees that had been assessed against them.

1. **Judicial Estoppel.** The Federal Circuit affirmed the judgment of dismissal in favor of Jiffy Lube. But it did so on a ground—judicial estoppel—that had never been raised in Jiffy Lube's brief on appeal or in the trial court.[3] The court first held that *Birdsell* did not resolve the claim preclusion issue. Instead, the court stated that the key question was "whether the relationship between the defendants and Bridgewood was so close that they were in privity for claim preclusion purposes." App. 10a. The court correctly explained that "a manufacturer or seller of a product who is sued for patent infringement typically is *not* in privity with a party, otherwise unrelated, who does no more than purchase and use the product" because "ordinarily such parties are not so closely related and their litigation interests are not so nearly identical that a patentee's suit against one would bar a second action against the other under the doctrine of claim preclusion." *Id.* at 12a (emphasis added).

But the court refused to apply this correct statement of the law to this case. Instead, it *sua sponte* held that the doctrine of judicial estoppel prevented it from concluding that Jiffy Lube and Bridgewood lack privity for purposes of claim preclusion. The court first observed that there was a "split of authority as to whether privity is a question of law or fact." App. 12a.[4] But the court then went on to decide the case on a ground not raised in Jiffy Lube's brief, the doctrine of "judicial estoppel," which precludes a party from taking a position in litigation contrary to one on which the party previously succeeded. The court ruled that judicial estoppel

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[3] The doctrine was mentioned in passing at oral argument, and Transclean submitted a short post-argument letter on the issue. Jiffy Lube did not substantively respond.

[4] In fact, this *sua sponte* conclusion ignored a binding holding of this Court that privity is a question of law. *See infra* at 15-16.

precluded it from holding that no privity exists, even if privity is "characterized as a legal conclusion." App. 13a. The court, however, expressly recognized that the circuits are split on that question. *Id.* ("While some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well.") (citation omitted).

On that question, the Federal Circuit concluded that it would follow Eighth Circuit law. App. 13a. But because the Eighth Circuit had not yet spoken on "whether judicial estoppel extends to legal positions," the Federal Circuit adopted what it believed was the view of "the majority of circuits"—that judicial estoppel "may be applied to inconsistent legal positions * * * or at least the application of law to fact." App. 14a (citing Kira A. Davis, *Judicial Estoppel and Inconsistent Positions of Law Applied to Fact and Pure Law*, 89 Cornell L. Rev. 191, 202-08 (2003)). Accordingly, it held that "judicial estoppel may be applied to the question of privity," whether it was regarded "a legal conclusion or a question of fact." App. 14a.

The court also claimed to recognize that judicial estoppel applies only when the party to be estopped "succeeded in persuading a court to adopt the earlier position, thereby posing a 'risk of inconsistent court determinations.'" App. 13a (quoting *New Hampshire* v. *Maine*, 532 U.S. 742, 750 (2001)). Largely eliding over that issue, however, the court held that this requirement was met because "[t]he trial court accepted Transclean's admission of privity," App. 14a, even though the District Court never reached the question of privity in the context of issue preclusion and Transclean had *lost* on every issue to which privity was relevant. That did not matter to the Federal Circuit, which held that judicial estoppel barred the court from adopting what it recognized was the correct understanding of the law of privity, because "Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was *unsuccessful*." App. 14a (emphasis

added). Thus, notwithstanding its purported invocation of the judicial success requirement, the Federal Circuit applied judicial estoppel to Transclean although it recognized that Transclean had not obtained any judicial success.

2. Reversal of the Default Judgments. The Federal Circuit then did something even more extraordinary. Even though the Defaulting Defendants had never filed a notice of appeal or cross-appeal and had never even appeared in the court of appeals (or the trial court), the Federal Circuit *sua sponte* reversed the judgments that had been entered against all seven Defaulting Defendants.

Completely ignoring that the Defaulting Defendants had never appealed the judgments against them, the Federal Circuit held that the doctrine of claim preclusion could be "raised * * * sua sponte" on appeal to the benefit of those absent parties. App. 15a. As commonly happens in litigation, the District Court entered default judgments against defendants that failed to appear while also entering judgment on the merits in favor of defendants who appeared. But the Federal Circuit observed that "[i]t would be anomalous to preclude Transclean's claims against one group of defendants while allowing recovery from a second group of defendants when, as a result of Transclean's admission regarding privity, the elements of claim preclusion are satisfied for both groups." App. 16a. Thus, even though it recognized that Transclean had made no specific assertion of privity with respect to the Defaulting Defendants, App. 16a, the Federal Circuit *sua sponte* applied its judicial estoppel determination to those non-appearing parties and reversed the judgment against the Defaulting Defendants. *Id.*

D. The Rehearing Petition. Transclean timely petitioned for rehearing or rehearing en banc. Because the two key dispositive rulings of the Federal Circuit—the invocation of judicial estoppel and the reversal of the unappealed default judgments—had been issued *sua sponte* without prior briefing, Transclean's rehearing petition was its first opportunity to brief those issues.

Transclean identified the panel's errors on both issues. As to judicial estoppel, Transclean argued, *inter alia*, that "Transclean raised privity in an *unsuccessful* attempt to invoke issue preclusion," and that "[j]udicial estoppel cannot apply in such circumstances." Plaintiffs-Appellants' Combined Pet. for Reh'g or Reh'g En Banc at 6 (filed Feb. 1, 2007). Transclean also contended that the panel's holding that judicial estoppel applied to assertions on questions of law was erroneous because, *inter alia*, "[j]ust as courts are not bound by parties' stipulations on questions of law * * * a single party likewise cannot bind a court on legal questions." *Id.* at 8 (citations omitted).

Transclean also explained the panel's clear error in reversing the default judgments even though the Defaulting Defendants had filed no notices of appeal or cross-appeal. *See id.* at 11 ("Perhaps the starkest error committed by the panel was its *sua sponte* reversal of the default judgments notwithstanding that no notice of appeal or cross-appeal was ever filed by the defaulting defendants * * *."). While identifying the circuit split on the issue, Transclean asserted that "the panel lacked jurisdiction to reach the result it did" because "an appellate court lacks jurisdiction to modify or reverse a judgment to the benefit of an appellee in the absence of a timely cross-appeal filed pursuant to Fed. R. App. P. 4(a)(3)." *Id.* at 13 (emphasis deleted). Transclean also argued alternatively that, even if the cross-appeal requirement were not viewed as mandatory, "there would be no basis to reverse a judgment to the benefit of an appellee where, as here, no cross-appeal was ever filed, the appellee never appeared, and the appellant now seeks to enforce the cross-appeal time limit." *Id.* at 14 (citations omitted).

The Federal Circuit called for and received a response from Jiffy Lube to the petition. Nevertheless, the court denied the petition without explanation. App. 48a.[5]

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[5] The Federal Circuit also denied Transclean's motion for leave to file a proffered reply to Jiffy Lube's response to the petition.

REASONS FOR GRANTING THE WRIT

I. THE CIRCUITS ARE INTRACTABLY DIVIDED OVER TWO KEY PREREQUISITES FOR THE DOCTRINE OF JUDICIAL ESTOPPEL.

This case implicates not just one, but two, circuit splits over the legal requirements for the doctrine of judicial estoppel. The doctrine "'generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase.'" *New Hampshire*, 532 U.S. at 749 (citation omitted). But the circuits are divided over two key legal questions: whether the doctrine applies to assertions on questions of law, and whether it applies where, as here, a party achieved no judicial success from its earlier assertion. Each of these circuit splits is well-recognized, intractable, mature, and squarely presented in this case.

A. This Court Should Resolve The Split Among The Circuits On Whether The Doctrine Applies To Assertions On Questions Of Law.

As the Federal Circuit itself noted, the circuits are divided over whether the doctrine of judicial estoppel applies to assertions on questions of law, or rather just to factual representations. *See* App. 13a ("While some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well."). [6] This division is well-recognized, longstanding, irreconcilable, and squarely implicated by this case.

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[6] *See also* Davis, *supra*, at 193 ("With respect to inconsistent positions other than the purely factual, the circuits are divided as to whether judicial estoppel applies."); Kelly L. Morron, *Time For the Federal Circuit to Take a Judicious Approach to Judicial Estoppel*, 28 AIPLA Q.J. 159, 172 (2000) ("The circuits are split on the question of whether the inconsistent 'positions' must be limited to questions of fact or may also include issues of law.").

1. Circuits Limiting Doctrine to Factual Assertions.

Three circuits—the Second, Fourth and Tenth—have expressly held that the doctrine of judicial estoppel applies only to questions of fact, not questions of law. And two others—the Eleventh and Sixth—have limited the doctrine to the assertion of divergent sworn positions, which would not generally include assertions on questions of law.

The Fourth Circuit has squarely adopted this view. That court has held that for judicial estoppel to apply, "the position sought to be estopped must be one of fact rather than law or legal theory." *Lowery* v. *Stovall*, 92 F.3d 219, 224 (4th Cir. 1996). It has not wavered from that position. *See 1000 Friends of Md.* v. *Browner*, 265 F.3d 216, 226 (4th Cir. 2001) ("[T]he position sought to be estopped must be one of fact rather than law or legal theory."). Thus, in *Pittston Co.* v. *United States*, 199 F.3d 694 (4th Cir. 1999), it rejected an attempt to apply the doctrine to the assertion of inconsistent legal positions, holding that "[j]udicial estoppel applies only to the making of inconsistent statements of fact, and therefore is of no relevance to [a] legal contention." *Id.* at 701 n.4. *Accord Folio* v. *City of Clarksburg*, 134 F.3d 1211, 1218 (4th Cir. 1998) (presenting inconsistent legal theories "is not proscribed by judicial estoppel").

The Fourth Circuit has also cogently explained why the doctrine should be limited to factual assertions. The doctrine's purpose is to protect against "'improper manipulation of the judiciary.'" *Emergency One, Inc.* v. *Am. Fire Eagle Engine Co.*, 332 F.3d 264, 274 (4th Cir. 2003) (citation omitted). Thus, "judicial estoppel exists to deter the use of *facts* from other litigation to manipulate a subsequent court that is unfamiliar with the prior *factual positions* assumed by the litigants." *Id.* (emphasis added). Courts rely on parties for the facts, but it is the "province and duty of the judicial department"—not litigants—"to say what the law is." *Marbury* v. *Madison*, 5 U.S. 137, 177 (1803). Just as courts are not bound by parties' stipulations on questions of law,

Estate of Sanford v. *Comm'r*, 308 U.S. 39, 51 (1939), a single party likewise should not bind a court on legal questions.

The Second Circuit shares this view. As the Court held in *Mulvaney Mech., Inc.* v. *Sheet Metal Workers Int'l Ass'n, Local 38*, 288 F.3d 491 (2d Cir. 2002), *vacated on other grounds*, 538 U.S. 918 (2003), "a party requesting judicial estoppel must demonstrate * * * that * * * the party against whom estoppel is sought has pursued an inconsistent factual position * * *. [The instant] legal conclusions are not 'inconsistent factual positions' as would ordinarily justify judicial estoppel." *Id.* at 504. The Second Circuit has consistently maintained this position.[7]

The Tenth Circuit recently joined this camp. Although it had refused for many years to apply judicial estoppel at all, it began to recognize the doctrine after this Court's decision in *New Hampshire*, *supra*. In *Johnson* v. *Lindon City Corp.*, 405 F.3d 1065 (10th Cir. 2005), the Tenth Circuit expressly followed the Fourth Circuit in holding that "the position to be estopped must generally be one of fact rather than of law or legal theory." *Id.* at 1069 (citing *Lowery*, 92 F.3d at 224). The court reiterated that position in *United States* v. *Villagrana-Flores*, 467 F.3d 1269 (10th Cir. 2006), and made clear that the doctrine only applied to factual positions. Although it concluded in that case that the government had not taken inconsistent positions on a Fourth Amendment issue, it held "the existence of a Fourth Amendment violation is a legal position, not a factual one, and therefore the first judicial estoppel factor has not been satisfied." *Id.* at 1279.

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[7] *See Troll Co.* v. *Uneeda Doll Co.*, 483 F.3d 150, 155 n.7 (2d Cir. 2007) (doctrine "'prevents a party from asserting a *factual* position in one legal proceeding that is contrary to a position that it successfully advanced in another proceeding'") (quoting *Rodal* v. *Anesthesia Group of Onondaga, P.C.*, 369 F.3d 113, 118-19 (2d Cir. 2004)) (emphasis added); *United States* v. *Hussein*, 178 F.3d 125, 130 (2d Cir. 1999); *AXA Marine & Aviation Ins. (UK) Ltd.* v. *Seajet Indus. Inc.*, 84 F.3d 622, 628 (2d Cir. 1996); *Bates* v. *Long Island R.R. Co.*, 997 F.2d 1028, 1038 (2d Cir. 1993).

The Eleventh Circuit has held that for judicial estoppel to apply "it must be established that the allegedly inconsistent positions were made under oath in a prior proceeding." *Transamerica Leasing, Inc.* v. *Inst. of London Underwriters*, 430 F.3d 1326, 1335 (11th Cir. 2005). *See also Am. Nat'l Bank* v. *FDIC*, 710 F.2d 1528, 1536 (11th Cir. 1983) ("Judicial estoppel is applied to the calculated assertion of divergent sworn positions").[8] The Sixth Circuit has also endorsed this view. *See McFarland* v. *Henderson*, 307 F.3d 402, 407 (6th Cir. 2002) ("this is not a case where McFarland is barred by judicial estoppel, because the district court did not adopt a representation made by her under oath"). Because positions on questions of law, as opposed to factual assertions, are not usually sworn statements under oath, it appears that the Eleventh or Sixth Circuits would not generally apply the doctrine outside of the context of factual statements.

Finally, although Fifth Circuit law is less clear, that circuit appears to apply the same rule as the Second, Fourth, and Tenth. In *Royal Ins. Co.* v. *Quinn-L Capital Corp.*, it held that "a statement of opinion on the law does not create a judicial estoppel." 3 F.3d 877, 885 n.6 (5th Cir. 1993) (citing *Sturm* v. *Boker*, 150 U.S. 312, 336 (1893)).

2. Circuits Applying Doctrine to Legal Questions.

By contrast, at least five circuits—the First, Third, Seventh, Ninth and Federal—have held that judicial estoppel can apply to assertions on questions of law.

The Third Circuit has long held this view. As it held in *Hardwick* v. *Cuomo*, 891 F.2d 1097 (3d Cir. 1989), "the doctrine of judicial estoppel [binds] parties to factual *and legal* positions taken in litigation in both the case in which the party has taken a position and in subsequent litigation." *Id.* at 1105 n.14 (3d Cir. 1989) (citing *Lewandowski* v. *Nat'l R.R. Passenger Corp.*, 882 F.2d 815 (3d Cir. 1989) and

[8] *Accord United Kingdom* v. *United States*, 238 F.3d 1312, 1324 (11th Cir. 2001); *McKinnon* v. *Blue Cross & Blue Shield of Ala.*, 935 F.2d 1187, 1192 (11th Cir. 1991).

Murray v. *Silberstein*, 882 F.2d 61 (3d Cir. 1989)) (emphasis added). *See also EF Operating Corp.* v. *Am. Bldgs.*, 993 F.2d 1046, 1049-50 (3d Cir. 1993).

The Seventh Circuit, expressly "disagree[ing]" with authority holding that "judicial estoppel applies only to positions on questions of fact," has also held that the doctrine applies to assertions on questions of law because "the change of position on [a] legal question is every bit as harmful to the administration of justice as a change on an issue of fact." *In re Cassidy*, 892 F.2d 637, 642 (7th Cir. 1990).

The Ninth Circuit has similarly come down on the side of applying the doctrine to assertions on questions of law despite the split of authority. *See Helfand* v. *Gerson*, 105 F.3d 530, 535 (9th Cir. 1997) (recognizing "support" for view that "judicial estoppel applies only to factual positions, not to opinions or legal conclusions," but following what it claimed to be "[t]he greater weight of federal authority"). In *Helfand*, the court held that "judicial estoppel applies to a party's stated position, regardless of whether it is an expression of intention, a statement of fact, or a legal assertion." *Id.* (citing, *inter alia*, *In re Cassidy*, *Hardwick*, and *Patriot Cinemas, Inc.* v. *Gen. Cinema Corp.*, 834 F.2d 208, 214 (1st Cir. 1987)). In the Ninth Circuit's view, "[t]he integrity of the judicial process is threatened when a litigant is permitted to gain an advantage by the manipulative assertion of inconsistent positions, factual or legal." *Helfand*, 105 F.3d at 535. *Accord Wagner* v. *Prof'l Eng'rs in Cal. Gov't*, 354 F.3d 1036, 1044 (9th Cir. 2004).

The First Circuit also embraces this view. As it stated in *Gens* v. *Resolution Trust Corp.*, 112 F.3d 569 (1st Cir. 1997), "[j]udicial estoppel is not implicated unless the first forum accepted the *legal or factual* assertion alleged to be at odds with the position advanced in the current forum." *Id.* at 572 (emphasis added). *See also Alternative Sys. Concepts, Inc.* v. *Synopsys, Inc.*, 374 F.3d 23, 34 (1st Cir. 2004) (doctrine estops party from asserting legal theory previously disclaimed, as "such inconsistencies may present an even

'stronger argument than do the classic cases for application of the doctrine'") (quoting *Patriot Cinemas*, 834 F.2d at 214 and following *Wagner*, 354 F.3d at 1044).

Finally, the Federal Circuit has joined the First, Third, Seventh, and Ninth Circuits. Although it applied a prediction that the Eighth Circuit (which has not yet squarely addressed the issue) would hold that the doctrine applies to legal assertions, the Federal Circuit also made clear that it had applied that view itself. *See* App. 14a ("the Federal Circuit has stated that a party may be judicially estopped from asserting clearly inconsistent positions on claim construction, which is a question of law").

3. The Split Is Directly Implicated By This Case.

The Federal Circuit squarely addressed the issue below, App. 14a, thereby presenting it for this Court. It is immaterial that the Federal Circuit purported to apply Eighth Circuit law, since the circuits are divided on an issue of federal law. *See, e.g.*, *Unitherm Food Sys. Inc.* v. *Swift-Eckrich, Inc.*, 546 U.S. 394 (2006) (resolving circuit split on review of Federal Circuit decision that applied Tenth Circuit law). It is likewise immaterial that the Federal Circuit declined to decide whether privity is a question of law or fact, because the court resolved the case even assuming privity is a question of law. This Court can thus resolve the case on the same assumption.

In any event, the Federal Circuit was flatly wrong in opining that there is confusion as to whether privity is a question of law or fact. This Court definitively resolved the issue nearly a century ago. In *Souffront* v. *La Compagnie Des Sucreries de Porto Rico*, 217 U.S. 475 (1910), the Court rejected the contention that privity in the context of claim preclusion is a question of fact for the jury:

> In asserting * * * "that the defendants herein were neither parties nor privies to the said judgments, suit, and appeals * * * and therefore said judgments cannot bar this action," there was presented merely a *question of law* as to whether, upon the facts appearing in the judgments, or

> averred in the third defense, the defendants in this action were, *as a matter of law*, in privity with the complainants in the cause in which the judgments pleaded as res judicata were rendered * * *. We say this, because clearly whether the judgments * * * were subject to be collaterally attacked *was a matter of law for the court* * * *.

Id. at 487 (emphasis added; citation omitted).

The only *fact* admitted by Transclean relevant to privity was the undisputed fact that Bridgewood made, and its customers used, the same infringing machines. Whether that undisputed fact establishes privity for purposes of claim preclusion is a question of law for the Court. Moreover, the Federal Circuit's holding that Bridgewood and its customers are deemed in privity runs afoul of this Court's decision in *Birdsell*, *supra*, which held that a patentee is entitled to bring a successive suit against a user of an infringing machine where, as here, the patentee has not recovered full compensation from the manufacturer. *See* 112 U.S. at 486, 487.

B. The Court Should Resolve The Split Among The Circuits On Whether The Doctrine Applies Where The Party To Be Estopped Achieved No Success.

The circuits are also intractably divided on whether judicial estoppel can apply where, as here, the party to be estopped achieved no success from its earlier asserted position. Courts have long recognized a "majority" and "minority" rule on this issue. "Under the majority view, judicial estoppel does not apply unless the assertion inconsistent with the claim made in the subsequent litigation 'was adopted in some manner by the court in the prior litigation.'" *Britton* v. *Co-Op Banking Group*, 4 F.3d 742, 744 (9th Cir. 1993) (citation omitted). By contrast, "[u]nder the minority view, judicial estoppel can apply even when a party was unsuccessful in asserting its position in the prior judicial proceeding, 'if the court determines that the alleged offending party engaged in

"fast and loose" behavior which undermined the integrity of the court.'" *Id.* (citation omitted).[9]

1. Majority View: Prior Success Required.

"The majority view is that judicial estoppel does not apply unless the party has been successful in persuading a court to adopt its position." *Moore* v. *United Servs. Auto. Ass'n*, 808 F.2d 1147, 1153 n.6 (5th Cir. 1987). Almost all circuits adhere to this rule.

The Seventh Circuit has clearly endorsed the majority rule and explained its rationale. Judicial estoppel applies "only if a party prevails in Suit #1 on the basis of a position inconsistent with that latterly taken," because "the offense is not taking inconsistent positions so much as it is *winning*, twice, on the basis of incompatible positions." *Astor Chauffeured Limousine Co.* v. *Runnefeldt Inv. Corp.*, 910 F.2d 1540, 1548 (7th Cir. 1990) (emphasis added). "The doctrine presupposes a judgment * * * for all it does is forbid a person who has won a judgment on one ground to repudiate that ground in a subsequent litigation in an effort to obtain a second judgment. It is thus about abandoning winning, not losing, grounds." *Patz* v. *St. Paul Fire & Marine Ins. Co.*, 15 F.3d 699, 702 (7th Cir. 1994). In other words, "a litigant is not forever bound to a losing argument." *Levinson* v. *United States*, 969 F.2d 260, 265 (7th Cir. 1992).

Most circuits embrace this position. For example, in *Blachy* v. *Butcher*, 221 F.3d 896 (6th Cir. 2000), the Sixth Circuit refused to apply the doctrine "because there [was] no evidence that the [defendants] were successful with [their] argument, which is a necessary element of judicial estoppel." *Id.* at 908. *See also Edwards* v. *Aetna Life Ins. Co.*, 690 F.2d

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[9] *See also Hossaini* v. *W. Mo. Med. Ctr.*, 140 F.3d 1140, 1142-43 (8th Cir. 1998) (noting "majority" and "minority" views); *Rissetto* v. *Plumbers & Steamfitters Local 343*, 94 F.3d 597, 601 (9th Cir. 1996) (same); *Milgard Tempering, Inc.* v. *Selas Corp. of Am.*, 902 F.2d 703, 716-17 (9th Cir. 1990) (same).

595, 599 (6th Cir. 1982) (party estopped if it "successfully asserted an inconsistent position in a prior proceeding").

The Second Circuit similarly holds that "judicial estoppel applies only when a tribunal * * * [has] rendered a favorable decision." *Adler* v. *Pataki*, 185 F.3d 35, 41 n.3 (2d Cir. 1999). Thus, in *Wal-Mart Stores, Inc.* v. *Visa U.S.A., Inc.*, 396 F.3d 96, 120 (2d Cir. 2005), the court rejected application of the doctrine in the absence of an earlier favorable decision. *See also Bates*, 997 F.2d at 1038 (settlement "does not provide the prior success necessary for judicial estoppel").

Similarly, the Fourth Circuit has held that "[t]he party sought to be estopped must have 'intentionally misled the court to gain unfair advantage.'" *Lowery*, 92 F.3d at 224 (citation omitted). This requirement of unfair advantage thus "ensures that judicial estoppel is applied in the narrowest of circumstances." *Id.* The law of other circuits is to the same effect. *See, e.g., Stallings* v. *Hussmann Corp.*, 447 F.3d 1041, 1049 (8th Cir. 2006) (court "abused its discretion" in applying judicial estoppel where "no judicial acceptance of [a party's] inconsistent position occurred"); *Exxon Corp.* v. *Oxxford Clothes*, 109 F.3d 1070, 1078 (5th Cir. 1997) ("the record here does not reveal that any of these allegations were accepted as true by the respective courts; accordingly, the doctrine of judicial estoppel is inapplicable").[10]

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[10] Indeed, the Federal Circuit itself has previously adhered to the requirement of judicial success. *See, e.g., Sandisk Corp.* v. *Memorex Prods.*, 415 F.3d 1278, 1290-1291 (Fed. Cir. 2005) ("the party must have succeeded in persuading a court to adopt the earlier position"); *RF Delaware, Inc.* v. *Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1262 (Fed. Cir. 2003) (same); *Water Techs. Corp.* v. *Calco Ltd.*, 850 F.2d 660, 665-66 (Fed. Cir. 1988) ("[W]hether judicial estoppel should be invoked * * * depends upon [the party] having received a benefit from the previously taken position in the form of judicial success"); *Jackson Jordan, Inc.* v. *Plasser Am. Corp.*, 747 F.2d 1567, 1579 (Fed. Cir. 1984) (doctrine requires that "the party against whom estoppel is invoked received some benefit from the previously taken position, *i.e.*, he 'won' because of it").

This Court has signaled its approval of the majority view. In *New Hampshire*, 532 U.S. at 750, the Court noted that in applying judicial estoppel lower courts "regularly inquire whether a party has succeeded in persuading a court to accept that party's earlier position." (citing *Edwards*, 690 F.2d at 599). As this Court explained, that inquiry is proper because "[a]bsent success in a prior proceeding, a party's later inconsistent position introduces no 'risk of inconsistent court determinations' and thus poses little threat to judicial integrity." *Id.* at 750-51 (citations omitted).

2. Minority View: No Prior Success Required.

"The minority view, in contrast, holds that the doctrine applies even if the litigant was unsuccessful in asserting the inconsistent position." *Morris* v. *California*, 966 F.2d 448, 453 (9th Cir. 1991). As other courts and commentators have noted, the Third Circuit adopts this view.[11]

In *Ryan Operations G.P.* v. *Santiam-Midwest Lumber Co.*, 81 F.3d 355 (3d Cir. 1996), the Third Circuit held that "whether the party sought to be estopped benefited from its earlier position may be *relevant* insofar as it evidences an intent to play fast and loose with the courts," but "*[i]t is not * * * an independent requirement* for application of the doctrine of judicial estoppel." *Id.* at 361 (emphasis added). To the Third Circuit, "'the critical issue is what the [party] contended in the underlying proceeding, rather than what the jury found.'" *Id.* (citation omitted).

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[11] *See, e.g.*, *Hossaini*, 140 F.3d at 1143; Morron, *supra*, at 174 ("The Third Circuit is the only circuit that has no requirement that the litigant have achieved 'success' or 'litigation benefit' from an earlier position"); John R. Knight, *The Doctrine of Judicial Estoppel: What Does It Really Mean?*, 44 Fed. Lawyer 32, 33 (1997) (citing minority view cases); Eric A. Schreiber, *The Judiciary Says, You Can't Have It Both Ways: Judicial Estoppel—A Doctrine Precluding Inconsistent Positions*, 30 Loyola L. Rev. 323, 336 (1996) (same).

The First Circuit has also been identified as adopting this view. *See Robertson Oil Co.* v. *Phillips Petroleum Co.*, 14 F.3d 360, 369 n.11 (8th Cir. 1992). But that court now appears to follow a hybrid approach, under which the party to be estopped must have "succeeded in persuading a court to have accepted its prior position" but need not have "benefitted from the court's acceptance of the party's initial position." *Thore* v. *Howe*, 466 F.3d 173, 181-82 (1st Cir. 2006). *See* Douglas W. Henkin, *Judicial Estoppel—Beating Shields Into Swords and Back Again*, 139 U. Pa. L. Rev. 1711, 1722 (1991) ("The First Circuit is anomalous, as it seems to have both accepted and rejected the [prior success] doctrine").

3. The Split Is Directly Implicated By This Case.

Although the Federal Circuit paid lip service to the prior success requirement, App. 13a, it found judicial estoppel solely on the basis of its view that "[t]he trial court accepted Transclean's admission of privity, and the defendants relied on that admission during both the trial and appellate phases of this litigation." App. 14a. Notably, the Federal Circuit did *not* hold that Transclean had actually achieved any success from its assertion of privity in the trial court. To the contrary, the court applied the doctrine while at the same time noting that Transclean's "litigation strategy was *unsuccessful*." *Id.* (emphasis added).

Nor could the court have held otherwise, for Transclean *lost* on every issue to which privity was relevant. Transclean initially raised privity in an unsuccessful attempt to assert issue preclusion. The District Court *denied* Transclean's motion without expressing any views on privity; instead, the court held that infringement had not been decided on the merits in the first action. App. 43a. And although the court (wrongly, in Transclean's view) remarked that Transclean had not disputed privity for purposes of claim preclusion, Transclean certainly achieved no success on that issue either. To the contrary, judgment was entered against Transclean on that issue. Similarly, although the Federal Circuit also noted what it construed as conflicting positions by Transclean on

the issue of privity in its briefs and argument *on appeal*, App. 11a, the court's judicial estoppel holding was based on Transclean's positions in the trial court. And in any event, Transclean unquestionably achieved no success on appeal.

This case therefore squarely presents the question whether judicial estoppel can be invoked against a party that achieved no success as a result of its earlier representation. As this Court has already noted, the answer should be no, since "[a]bsent success in a prior proceeding, a party's later inconsistent position introduces no 'risk of inconsistent court determinations' and thus poses little threat to judicial integrity." *New Hampshire*, 532 U.S. at 750. Transclean initially asserted privity in an *unsuccessful* attempt to invoke issue preclusion, and the Federal Circuit erred in refusing to adopt what even it recognized was the correct understanding of the law of privity. Transclean should not be "forever bound to a losing argument." *Levinson*, 969 F.2d at 265.

II. THE CIRCUITS ARE INTRACTABLY DIVIDED OVER WHETHER A COURT OF APPEALS HAS JURISDICTION OR DISCRETION TO REVERSE A JUDGMENT TO THE BENEFIT OF AN APPELLEE THAT FILED NO CROSS-APPEAL.

This case also implicates a longstanding circuit split over another important issue: whether a court of appeals has jurisdiction to, or may as a discretionary matter, reverse or modify a judgment to the benefit of a party that filed no timely appeal or cross-appeal. This division is well-recognized and persistent, and this Court has previously granted certiorari to resolve it. The Court should do so again in this case.

A. The Split Is Longstanding And This Court Has Previously Sought Unsuccessfully To Resolve It.

This Court has long recognized that "[a]bsent a cross-appeal, an appellee * * * may not 'attack the decree with a view either to enlarging his own rights thereunder or of lessening the rights of his adversary.'" *El Paso Nat. Gas Co.* v. *Neztsosie*, 526 U.S. 473, 479 (1999) (quoting *United States*

v. *Am. Ry. Express Co.*, 265 U. S. 425, 435 (1924)). An appellee that files no timely cross-appeal within the 14 days allowed by Fed. R. Fed. P. 4(a)(3) may thus argue for affirmance, but no more. The Court has described this rule as "firmly entrenched," observing that "in more than two centuries of repeatedly endorsing the cross-appeal requirement, not a single one of our holdings has ever recognized an exception to the rule." *Id. See also Morley Constr. Co.* v. *Md. Cas. Co.*, 300 U.S. 185, 187, 190-91 (1937) ("[t]he rule is inveterate and certain" and goes to the "power of an appellate court"). Nevertheless, the circuit courts have long been divided over whether the rule that a party file a cross-appeal in order to reverse or modify a judgment is a jurisdictional requirement or merely a waivable "rule of practice."

As the Court reiterated only days ago, the Court has "long and repeatedly held that the time limits for filing a notice of appeal are jurisdictional in nature." *Bowles* v. *Russell*, No. 06-5306, slip op. at 1 (June 14, 2007). *See also, e.g., Griggs* v. *Provident Consumer Discount Co.*, 459 U.S. 56, 61 (1982) (per curiam) (requirement is "'mandatory and jurisdictional'") (citation omitted). Applying that rule and other authority, five circuits—the First, Third, Sixth, Seventh and Tenth—hold that the *cross-appeal* requirement is likewise mandatory and jurisdictional.[12] By contrast, six circuits—the Second, Fourth, Eighth, Ninth, D.C. and now the Federal *sub silentio*—have held that the requirement is a waivable "rule of practice."[13] For its part, the Fifth Circuit follows the

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[12] *See Toomer* v. *City Cab*, 443 F.3d 1191, 1197 (10th Cir. 2006); *Johnson* v. *Teamsters Local 559*, 102 F.3d 21, 28-29 (1st Cir. 1996); *EF Operating*, 993 F.2d at 1049 n.1; *Francis* v. *Clark Equip. Co.*, 993 F.2d 545, 552 (6th Cir. 1993); *Young Radiator Co.* v. *Celotex Corp.*, 881 F.2d 1408, 1416 (7th Cir. 1990).

[13] *See In re Johns-Manville Corp.*, 476 F.3d 118, 123 (2d Cir. 2007); *Mendocino Envtl. Ctr.* v. *Mendocino Cty.*, 192 F.3d 1283, 1298 (9th Cir. 1999); *Spann* v. *Colonial Village, Inc.*, 899 F.2d 24, 33 (D.C. Cir. 1990); *LaFaut* v. *Smith*, 834 F.2d 389, 394 n.9 (4th

jurisdictional approach for most cases, but that court sitting en banc also established (over eight dissenting votes) a limited exception allowing for modification of judgments in certain in forma pauperis cases. *Compare Kelly* v. *Foti*, 77 F.3d 819 (5th Cir. 1996) *with Marts* v. *Hines*, 117 F.3d 1504 (5th Cir. 1997) (en banc).

The circuit split is well-recognized. Indeed, this Court *itself* has remarked that "[t]he issue has caused much disagreement among the Courts of Appeals and even inconsistency within particular Circuits for more than 50 years." *El Paso*, 526 U.S. at 480 n.2 (leaving issue open). In *Mendocino*, the Ninth Circuit noted that its "rule of practice" approach "is in accord with the views of the Second, Fourth, and D.C. Circuits, although the First, Third [at that time], Sixth, Seventh, and Tenth Circuits have reached the opposite results." 192 F.3d at 1298; *see also Marts*, 117 F.3d at 1507 (Garwood, J., dissenting) ("Over the years, decisions of the courts of appeals have divided on whether the * * * rule requiring a cross-appeal * * * is a rule governing the power or jurisdiction of the appellate court or is rather a rule of practice as to which exceptions may be made * * *."); *Johnson*, 102 F.3d at 28 ("There has been a split in authority among the circuits as to whether the late filing of a notice of a *cross*-appeal has the same dire jurisdictional consequences as does the late filing of an appeal."); *EF Operating*, 993 F.2d at 1049 n.1 (3d Cir. 1993) ("The circuits are split on this issue"); *Young Radiator*, 881 F.2d at 1415-16 (noting split); Charles A. Wright, Arthur R. Miller & Edward H. Cooper, *Federal Practice & Procedure* § 3950.7 (1999 & Supp. 2007) (noting "split among the circuits").

The competing positions are well-entrenched. After this Court's decision in *Torres* v. *Oakland Scavenger Co.*, 487 U.S. 312, 316 (1988), which reaffirmed the jurisdictional nature of Fed. R. App. P. 4, the Third Circuit changed to the

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Cir. 1987); *Hysell* v. *Iowa Pub. Serv. Co.*, 559 F.2d 468, 476 (8th Cir. 1977).

jurisdictional rule, *see EF Operating*, 993 F.2d at 1049 n.1, and the First, Sixth, Seventh, and Tenth reaffirmed their commitment to that position, *see* cases cited *supra* note 12. *See also* 20 James Wm. Moore et al., *Moore's Federal Practice* § 304.11[3][d] (3d ed. 1998) (incorrectly predicting that *Torres* "may have struck the death knell" for rule of practice approach). By contrast, as the Ninth Circuit has noted, "[s]ince *Torres* was decided, we, along with the Second and D.C. Circuits, have reaffirmed our position that the notice of cross-appeal is a rule of practice rather than a jurisdictional requirement." *Mendocino*, 192 F.3d at 1298 n.27. And only recently, the Second Circuit again reaffirmed its commitment to the rule of practice approach following this Court's decision in *Eberhart* v. *United States*, 546 U.S. 12 (2005), while at the same time making clear that "*Eberhart* strongly indicates that we are to enforce that limit strictly, once it is properly invoked." *Johns-Manville*, 476 F.3d at 124. The Court's recent decision in *Bowles*, *supra*, likewise does not resolve the split. *Bowles*, like *Torres*, is another in a long line of cases holding that the requirement of a timely notice of *appeal* is mandatory and jurisdictional, but *Bowles* does not specifically address the *cross-appeal* requirement.

This Court has previously granted certiorari to resolve this very issue. In *Zapata Indus., Inc.* v. *W.R. Grace & Co.*, 34 Fed. Appx. 688, 2002 WL 539099 (Fed. Cir. 2002), the Federal Circuit held in an unpublished decision that because "[t]he time limits of Rule 4 are jurisdictional" the failure to file a timely notice of cross-appeal "may not be waived." *Id.* at 690. The unsuccessful cross-appellant petitioned this Court for a writ of certiorari to decide whether the cross-appeal deadline in Rule 4(a)(3) "is mandatory and jurisdictional or, instead, a rule of practice permitting the appellate court to consider a late filed cross-appeal where there is excusable neglect and no prejudice occurs." Pet. for a Writ of Certiorari, *Zapata Indus., Inc.* v. *W.R. Grace & Co.*, No. 01-1766 (filed May 31, 2002). This Court granted certiorari to decide that question. *See* 536 U.S. 990 (2002).

Subsequently, however, the case was voluntarily dismissed as moot. *See* 537 U.S. 1025 (2002); Stipulated Mot. for Voluntary Dismissal, No. 01-1766 (filed Nov. 15, 2002).

B. This Case Is An Ideal Vehicle To Determine Whether, And If So When, The Cross-Appeal Requirement Can Be Waived.

This case is an ideal vehicle to resolve the issue left unresolved by the dismissal in *Zapata*. Despite its earlier unpublished decision in *Zapata*, the Federal Circuit in this case *sua sponte* reversed default judgments even though the seven defaulting defendants (designated by Transclean as appellees) noticed no cross-appeals and never even appeared to challenge those judgments. *See* App. 15a. And the Federal Circuit adhered to that determination notwithstanding that Transclean clearly identified the panel's error in a timely petition for rehearing, which was Transclean's first and only opportunity to address the issue.

If, as five circuits have held, the Federal Circuit lacked jurisdiction to reverse or modify the default judgments, then the court's decision cannot stand. But this case also presents the question of what circumstances can support a waiver of the cross-appeal requirement even if it is not formally denominated as jurisdictional. As the Second Circuit has recently held, even if Rule 4(a)(3) is only a rule of practice, courts "are to enforce that limit strictly." *Johns-Manville*, 476 F.3d at 124. *See Eberhart*, 546 U.S. at 19 (even non-jurisdictional timing rules "assure relief to a party properly raising them"). Other courts adopting the rule of practice approach have made clear that the rule will be waived only in "exceptional circumstances," *Spann*, 899 F.2d at 33 (R.B. Ginsburg, J.), and that it is the "general rule" that an appeals court "will not hear a challenge to a district court decision if a notice of cross-appeal is not filed." *S.M.* v. *J.K.*, 262 F.3d 914, 923 (9th Cir. 2001).

Here, the Defaulting Defendants did not merely file a late notice; they never even appeared to challenge the judgments

against them. Even if the cross-appeal requirement is not jurisdictional, there is no conceivable basis for waiving it here. The only explanation given by the Federal Circuit—that it would be "anomalous to preclude Transclean's claims against one group of defendants while allowing recovery from a second group of defendants," App. 16a—holds no water. *See El Paso*, 526 U.S. at 480 ("comity considerations" are "clearly inadequate to defeat the institutional interests in fair notice and repose that the [cross-appeal] rule advances"). In the first place, Transclean made no assertion of privity directed at those defendants. *See* App. 16a. But more generally, there is nothing "anomalous" about leaving intact an unappealed default judgment notwithstanding a different disposition against a participating defendant. That is what often happens when some parties default and others do not.

The Federal Circuit's rule, by contrast, would turn courts of appeal into advocates for absent parties, *sua sponte* reversing judgments on behalf of parties that sought no relief. Even if the cross-appeal requirement were waivable in exceptional cases, there is no basis to excuse these defendants, which deliberately chose not to respond to the complaint or the appeal, from bedrock requirements that govern all litigants. As the Court has held, the cross-appeal rule "is meant to protect institutional interests in the orderly functioning of the judicial system, by putting opposing parties and appellate courts on notice of the issues to be litigated and encouraging repose of those that are not." *El Paso*, 526 U.S. at 482.

Nor can the Federal Circuit escape this Court's scrutiny by rendering its decision *sua sponte* and then simply denying a rehearing petition without explanation. *See id.* at 479-82 (reversing *sua sponte* decision of Ninth Circuit to waive rule). The circuits desperately need guidance, as shown by this Court's grant of certiorari in *Zapata* to review an unpublished, non-precedential Federal Circuit decision on the issue. In any event, the issue is, at least in part, a jurisdictional one that cannot be overlooked. In fact, the Federal Circuit's *sua sponte* decision demonstrates exactly

why that court erred in not enforcing the cross-appeal rule, whether denominated as jurisdictional or as a mandatory rule of procedure. Because the Defaulting Defendants never appeared to challenge the judgments against them, Transclean received no notice that those judgments were under attack until the Federal Circuit's decision. In our adversary system, parties file appeals and other parties respond to them. The Federal Circuit circumvented that adversary process by entertaining and sustaining a cross-appeal that was never filed or pressed.

III. THE QUESTIONS PRESENTED ARE RECURRING AND IMPORTANT.

The questions presented are recurring and important, and, in this case, integrally related. Both the judicial estoppel doctrine and the cross-appeal requirement, although seemingly mundane procedural issues, arise frequently in every circuit and both issues are almost always case dispositive. Without guidance from this Court, the circuits will continue to apply disparate rules to both doctrines, thereby destroying the uniformity of the federal justice system.

A. Judicial Estoppel.

Courts and commentators have long lamented the disarray in the circuit courts on the judicial estoppel doctrine, and the resulting need for this Court's intervention. As the First Circuit noted twenty years ago, the requirements for the doctrine are "'rather vague' and vary * * * from circuit to circuit." *Patriot Cinemas*, 834 F.2d at 212. More recently, that same court complained again that "[t]he contours of the doctrine are hazy" and that "[e]ach case tends to turn on its own facts." *Alternative Sys. Concepts*, 374 F.3d at 33. For its part, the Seventh Circuit has noted that "[t]here is, no doubt, confusion and uncertainty in the case law (though not of this circuit) over the scope of the doctrine of judicial estoppel." *United States* v. *Newell*, 239 F.3d 917, 922 (7th Cir. 2001). The Fifth Circuit has likewise stated that judicial estoppel is an "'obscure doctrine'" of uncertain contours and

uncertain acceptance in the federal courts. *Nichols* v. *Scott*, 69 F.3d 1255, 1272-73 (5th Cir. 1995) (citation omitted).

Commentators have correctly attributed this confusion to lack of guidance by this Court. As leading commentators have noted, there remains a "lack of any uniform approach among the federal courts" to judicial estoppel and "[t]he lack of clear theory may be due in part to the relative dearth of Supreme Court decisions." Wright, Miller & Cooper, *supra*, § 4477. Others agree on the pressing need for guidance.[14] This Court's only decision squarely addressing the doctrine, *New Hampshire*, provided little certainty. Rather, *New Hampshire*'s "general restatement of doctrine provides a good foundation for further development, but the Court had no occasion for a detailed exploration of the many points that remain uncertain in the lower courts." Wright, Miller & Cooper, *supra*, § 4477. This case provides the occasion for exploration of at least two of those points.

The authorities cited in this petition are but a small fraction of the hundreds, if not thousands, of cases in which judicial estoppel arises in the lower courts. This Court, however, has issued but one decision directly addressing the doctrine and that ruling has not alleviated the confusion. The issues, moreover, are significant to all litigants. Because judicial estoppel, unlike doctrines such as issue preclusion, claim preclusion or equitable estoppel, can apply even without privity or a litigated judgment, *Allen* v. *Zurich Ins. Co.*, 667 F.2d 1162, 1166-67 (4th Cir. 1982), under the Federal Circuit's rule parties will be "forever bound to a losing argument," *Levinson*, 969 F.2d at 265, even on a question of law.

[14] *See* Davis, *supra*, at 197 ("Left without guidance, the U.S. courts of appeal have developed various versions of judicial estoppel."); Schreiber, *supra*, at 325 ("A clearly defined set of elements in accordance with the policy goals of judicial estoppel would remedy the confusion surrounding this doctrine and provide guidance to courts as to when judicial estoppel should be applied"); Morron, *supra*, at 171 ("The regional circuit courts have addressed the judicially-created doctrine in remarkably dissimilar ways.").

Indeed, in this case the Federal Circuit held that Transclean was estopped from litigating the question of privity even though the court held that infringement had never been litigated on the merits in the first action. Thus, Transclean lost its case without ever having had the opportunity to prove it. Such a rule also threatens one of the fundamental practices of modern civil procedure: pleading of inconsistent legal arguments. *See Newell*, 239 F.3d at 922; *Allen*, 667 F.2d at 1167. Until this Court provides the necessary guidance, litigants will continue to be governed by different case-dispositive rules depending simply on where their case is brought.

B. Cross-Appeal Rule.

The Court has already shown, through its grant in *Zapata*, that the question of whether and when the cross-appeal rule can be waived meets the Court's requirements for certiorari.[15] The issue recurs repeatedly in the circuit courts, as shown by the fact that nearly every circuit has expressly weighed in on it, and it is usually case-dispositive.

Moreover, the issue potentially affects this Court's own rules of procedure. This Court has long applied an identical requirement that a respondent seeking to modify a judgment of a court of appeals must file a cross petition for certiorari. *See, e.g., Northwest Airlines, Inc.* v. *County of Kent*, 510 U.S. 355, 364 (1994). But just as the courts of appeal are divided over whether the cross-appeal requirement is mandatory and jurisdictional, there is also confusion in this Court's decisions regarding the nature of the cross-petition requirement.[16] That is yet another reason to grant certiorari.

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[15] The Court has often granted certiorari to resolve circuit disagreements over other similar critical gatekeeping procedural issues. *See, e.g., Bowles, supra*; *Eberhart*, 546 U.S. at 19-20; *Kontrick* v. *Ryan*, 540 U.S. 443, 452 (2004); *Torres*, 487 U.S. at 314.

[16] *See Trans World Airlines, Inc.* v. *Thurston*, 469 U.S. 111, 119 n.14 (1985) ("[T]he Court is without jurisdiction" to consider an argument not presented in cross-petition.); *United States* v. *ITT Cont'l Baking Co.*, 420 U.S. 223, 226-27 n.2 (1975) (describing

Finally, the two issues presented in the petition are integrally related in this case. The Federal Circuit reversed the default judgments on the ground that judicial estoppel should be applied to those judgments as well as the judgments against the Participating Defendants. Thus, if this Court were to conclude that the cross-appeal requirement is not mandatory and jurisdictional and properly waived here, it would still have to confront the judicial estoppel issues. Likewise, because the cross-appeal issue is, at least in part, jurisdictional in nature, the Court would have to confront that issue in any event before confronting the judicial estoppel issues. There was only one judgment of the Federal Circuit, and review of that judgment should include all issues set forth in, and fairly included in, the questions presented.

CONCLUSION

For the foregoing reasons, the petition should be granted and the judgment below reversed.

Respectfully submitted,

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rule as "a matter of practice and control of our docket, if not of our power"); Robert L. Stern & Eugene Gressman, et al., *Supreme Court Practice* 448 (2002) ("Another question that remains unsettled is whether the rule requiring the filing of cross-appeals and cross-petitions is jurisdictional or prudential.").

APPENDIX A

United States Court of Appeals for the Federal Circuit

06-1077

TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, and DONALD E. JOHNSON,

Plaintiffs-Appellants,

v.

JIFFY LUBE INTERNATIONAL, INC.,

Defendant-Appellee,

and

REGIONAL CAR WASH DISTRIBUTORS, INC., WALT GISLASON (doing business as Walt's Soft Car Wash), and MIKE'S IN AND OUT 10 MINUTE OIL CHANGE,

Defendants-Appellees,

and

INDY LUBE, INC.,

Defendant-Appellee,

and

FRESH START, INC., LUBRICATION TECHNOLOGIES, INC., LAYNE R. BASE (doing business as Heartland Express Lube), and PERFECT "10" QUICK LUBE, INC.,

Defendants-Appellees,

and

ULTRA LUBE, INC.,

Defendant,

and

BOB CLEMONS (doing business as Wonder Lube), BILL CLARK OIL CO., INC., ROYAL LUBE SERVICE, INC., 13 NORTH EXPRESS LUBE, INC., SPOT'S QUICK LUBE, INC., and WHITE BEAR TIRE & AUTO, INC.,

Defendants.

Alan M. Anderson, Fulbright & Jaworski L.L.P, of Minneapolis, Minnesota, argued for plaintiffs-appellants Transclean Corporation, et al. With him on the brief was *Christopher A. Young*.

James W. Poradek, Faegre & Benson LLP, of Minneapolis, Minnesota, argued for defendant-appellee Jiffy Lube International, Inc. With him on the brief were *David J.F. Gross* and *Timothy E. Grimsrud*.

Gregory R. Anderson, Anderson Larson Hanson & Saunders, P.L.L.P., of Willmar, Minnesota, for defendants-appellees Regional Car Wash Distributors, Inc., et al.

Robert W. Gutenkauf, Gray, Plant, Mooty, Mooty & Bennett, of Minneapolis, Minnesota, for defendant-appellee Indy Lube, Inc.

David Jon Hoiland, Law Office of David Jon Hoiland, of Minneapolis, Minnesota, for defendants-appellees Fresh Start Inc., et al.

Appealed from: United States District Court for the District of Minnesota

Senior Judge Paul A. Magnuson

DECIDED: January 18, 2007

Before MICHEL, *Chief Judge*, PLAGER, *Senior Circuit Judge*, and BRYSON, *Circuit Judge*.

PLAGER, *Senior Circuit Judge*.

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson (collectively "Transclean") brought suit

against Bridgewood Services, Inc. ("Bridgewood"), alleging that the automatic transmission fluid changing machine manufactured and sold by Bridgewood, the "T-Tech machine," infringed Transclean's patent. Transclean obtained a judgment in its favor, including a damages award of $1,874,500. The judgment and award were affirmed on appeal. *Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002) ("*Transclean I*").

Transclean then filed a separate patent infringement suit against Jiffy Lube International, Inc. ("Jiffy Lube") and more than thirty other fast lube businesses, each of which had purchased one or more T-Tech machines from Bridgewood. That case is the subject of the present appeal.

In this case, the district court granted summary judgment in favor of Jiffy Lube and eight other defendants ("Participating Defendants"), holding that under the doctrine of claim preclusion, the judgment against Bridgewood bars Transclean from bringing a separate infringement action against Bridgewood's customers. The district court previously had entered default judgment in favor of Transclean against several other defendants ("Defaulting Defendants"), none of whom had answered the complaint. Because we agree with the district court that under the doctrine of claim preclusion Transclean may not obtain relief against the Participating Defendants, we affirm that portion of the district court's judgment. In light of that affirmance, we conclude that the claims against the Defaulting Defendants should be disposed of in the same manner; accordingly, the judgment in favor of Transclean and against the Defaulting Defendants is reversed.

BACKGROUND

Viken, Lang, and Johnson are the owners of U.S. Patent No. 5,318,080 ("the '080 patent"); Transclean is their exclusive licensee. The patent is directed to an apparatus for changing automatic transmission fluid. In October 1997, Transclean filed a patent infringement suit in the United

States District Court for the District of Minnesota against Bridgewood, a manufacturer and distributor of transmission service equipment. Soon thereafter, Bridgewood sold its assets to Century Manufacturing Company, which took a license from Transclean under the '080 patent for T-Tech machines sold on or after May 1, 1998. Any T-Tech machines manufactured before that date remained the subject of litigation between Transclean and Bridgewood.

This court's opinion in *Transclean I* discusses the Bridgewood litigation in detail; here we provide only the facts of that case that are relevant to the present appeal. With regard to liability issues, the trial court in the Bridgewood litigation granted Transclean's motion for summary judgment that Bridgewood infringed claims 1-4 and 12 of the '080 patent, after barring Bridgewood from asserting it did not infringe as a sanction for Bridgewood's failure to answer an interrogatory seeking the bases for its non-infringement position. When the case proceeded to trial, a jury found that Bridgewood infringed claim 13. On appeal we affirmed the judgment of infringement of claims 1-4 and 12, but after correcting the claim construction we vacated the judgment of infringement of claim 13. *Transclean I*, 290 F.3d at 1373-75.

With regard to damages, the jury in the Bridgewood case awarded Transclean three types of damages totaling $5.5 million. *Id.* at 1375. The trial court granted Bridgewood's motion for a new trial or remittitur in the amount of $1,874,500, the highest amount of reasonable royalty damages that the jury could have awarded based on the evidence. *Id.* at 1375. Transclean apparently accepted the remittitur, and neither party appealed that portion of the damages award. *Id.* Transclean alleges it has not collected on the judgment against Bridgewood.

Soon after this court affirmed the judgment against Bridgewood, Transclean filed the current infringement suit in the District of Minnesota, this time against Jiffy Lube and more than thirty other fast lube businesses, including many small, independently owned shops that use a single T-Tech

machine. In this case, the subject of the present appeal, Transclean alleges that the defendants infringe the '080 patent by using T-Tech machines purchased from Bridgewood prior to May 1, 1998. Thus the accused devices in this case were also the subject of the suit against Bridgewood. Transclean seeks a "reasonable royalty" of $10,000 for the use of each allegedly infringing device.

Several defendants failed to answer the complaint, and Transclean filed a motion for default judgment against them. The trial court granted the motion in part, ordering entry of default judgment and a permanent injunction against those defendants but finding that it was premature to enter a default damages award at that time. *Transclean Corp.* v. *Bill Clark Oil Co.*, No. 02-1138 (D. Minn. Nov. 5, 2003) (order).[1]

Transclean, Jiffy Lube, and some of the other Participating Defendants[2] filed various motions for summary judgment, most of which alleged that the judgment in the Bridgewood litigation had some preclusive effect. Transclean filed a motion for summary judgment in which it argued that the defendants in this case should be precluded from asserting a non-infringement defense because the Bridgewood litigation concluded with a judgment of infringement by the same T-Tech machines. As part of its argument that issue preclusion

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[1] In that order, the trial court entered default judgment against Defendants 13 North Express Lube, Inc.; Bill Clark Oil Co., Inc.; Royal Lube and Service, Inc.; Spots Quik Lube, Inc.; White Bear Tire & Auto, Inc.; and two others that were later dismissed from the case. In subsequent orders, the trial court entered default judgment against Ultra Lube and Bob Clemons (doing business as Wonder Lube).

[2] In addition to Jiffy Lube, the Participating Defendants are Regional Car Wash Distributors, Inc.; Walt Gislason (doing business as Walt's Soft Car Wash); Mike's In and Out 10 Minute Oil Change; Indy Lube, Inc.; Fresh Start, Inc.; Lubrication Technologies, Inc.; Layne R. Base (doing business as Heartland Express Lube); and Perfect "10" Quick Lube, Inc.

applied, Transclean asserted that the defendants were in privity with Bridgewood. The trial court denied Transclean's motion on the ground that the issue of infringement was not actually litigated in the Bridgewood litigation because the infringement determination in that case was in large part a sanction for abuse of discovery. *Transclean Corp.* v. *Reg'l Car Wash Distribs., Inc.*, No. 02-1138, 2004 WL 1453509, at *7-8 (D. Minn. June 18, 2004).

In the same opinion, the trial court granted Jiffy Lube's motion for summary judgment that Transclean was precluded from bringing infringement claims against Jiffy Lube. The trial court concluded that the elements of claim preclusion were satisfied. First, there was no dispute that the Bridgewood litigation ended in a final judgment on the merits or that the court properly exercised jurisdiction in that matter. Nor did Transclean dispute that Jiffy Lube was in privity with Bridgewood, the defendant in the prior litigation. Finally, Transclean did not dispute that during the first litigation it was aware of Jiffy Lube's use of T-Tech machines and could have brought claims against Jiffy Lube. *Id.* at *2. The trial court noted, however, that summary judgment based on claim preclusion was not appropriate as to other defendants until they came forward with evidence that Transclean knew or should have known about them during the Bridgewood litigation. *Id.* at *3.

Transclean later conceded it was aware that each of the Participating Defendants had purchased and used at least one T-Tech machine while the Bridgewood litigation was pending. In response thereto, the trial court granted summary judgment in favor of the Participating Defendants. *Transclean Corp.* v. *Bill Clark Oil Co.*, No. 02-1138, 2004 WL 2730101, at *2 (D. Minn. Nov. 18, 2004).

When Transclean moved for a determination of damages against the Defaulting Defendants—the trial court having earlier rendered judgment against them—the trial court sua sponte raised the defense of issue preclusion on their behalf. *Transclean Corp.* v. *Bill Clark Oil Co., Inc.*, No. 02-1138,

2005 WL 2406036, at *2 (D. Minn. Sept. 29, 2005) ("*Damages Opinion*"). The trial court held that Transclean was precluded from seeking a $10,000 royalty for the use of each infringing machine because that theory was not presented in the Bridgewood litigation. Accordingly, the court limited the damages award to $550 per infringing T-Tech machine, the amount awarded in the Bridgewood litigation.[3] *Id.* at *3. The trial court then awarded Transclean treble damages under 35 U.S.C. § 284 because the Defaulting Defendants did not respond to Transclean's allegations of willful infringement. This resulted in a damages award of $1,650 against each of the Defaulting Defendants. *Id.* at *3.

The trial court entered judgment in accordance with its various decisions. Transclean appeals from that judgment, challenging the trial court's rulings that claim preclusion bars Transclean's suit against the Participating Defendants and that issue preclusion limits the amount of damages recoverable from the Defaulting Defendants. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).

DISCUSSION

I. Participating Defendants

Transclean's primary argument against the application of claim preclusion as a bar to its infringement claims against the Participating Defendants is that the law generally allows a patentee to sue manufacturers or sellers and users of an infringing device as joint tortfeasors, and that the law permits multiple suits, just not multiple (i.e., double) recoveries. This rule has its genesis in *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884), in which the Supreme Court held that a patentee who had recovered only nominal damages against the manufacturer of an infringing product could subsequently sue users of the infringing product. The Court indicated that a patentee may not sue users of an infringing product for damages if he

[3] The trial court arrived at this figure by dividing $1,874,500, the total damages award in the Bridgewood litigation, by 3400, the number of T-Tech machines sold by Bridgewood.

has collected actual damages from a manufacturer or seller, and those damages fully compensate the patentee for infringement by users. *Id.* at 488-89; *see also Glenayre Elecs., Inc.* v. *Jackson*, 443 F.3d 851, 864 (Fed. Cir. 2006) (citing *Birdsell* and holding that a patentee could not sue users for damages because actual damages covering the use of the product had already been recovered from the manufacturer); *Shockley* v. *Arcan, Inc.*, 248 F.3d 1349, 1364 (Fed. Cir. 2001) ("Each joint tort-feasor is liable for the full amount of damages (up to a full single recovery) suffered by the patentee." (citing *Birdsell*, 112 U.S. at 488-89)).

In light of *Birdsell* and its progeny, Transclean contends it is free to sue users of the T-Tech machine because it has not collected on the judgment against Bridgewood. That is true as far as it goes, but Transclean's argument fails to take into account the separate issue of claim preclusion, under which such a second suit, otherwise available, may be barred. As the trial court correctly noted, the issue in this case is not whether Transclean may sue both the manufacturer and users of the T-Tech machine. The issue is whether, having failed to bring infringement claims against the users in the first litigation, Transclean should be barred under the doctrine of claim preclusion from bringing those claims in a second suit. "[A] plaintiff who chooses to bring two separate actions against two tortfeasors who are jointly responsible for the same injury runs the risk that the court will find the parties sufficiently related that the second action is barred by claim preclusion." *Mars Inc.* v. *Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 620 (Fed. Cir. 1995). Despite Transclean's protestations to the contrary, *Birdsell* and the other cases relied on by Transclean involve only the doctrine of full compensation. *See Glenayre*, 443 F.3d at 862-64; 7 Donald S. Chisum, *Chisum on Patents* § 20.03[7][b][iii] (2002). They do not address the added question of when and how claim preclusion may arise in such second suits.

We now turn to that question—whether claim preclusion principles bar Transclean's claims against the Participating

Defendants in this case. As an initial matter, the parties disagree about whether the claim preclusion issues in this case should be decided under the law of the Federal Circuit or the applicable regional circuit, here the Eighth Circuit. Transclean argues that the question before us is specific to patent law—whether a patentee may sue the users of an infringing device when it cannot recover on a judgment awarded against the manufacturer of the same infringing device. As discussed, that question and the cases relied on by Transclean do not relate to claim preclusion but instead involve the doctrine of full compensation.

Rather, as we shall explain, the key question before us is whether Transclean should be bound by its repeated statements that the defendants were in privity with Bridgewood, against whom Transclean obtained a judgment in an earlier litigation. This question is not one peculiar to patent law, and therefore we will look to Eighth Circuit law for guidance in deciding the issue. *See Mars*, 58 F.3d at 618 (looking to regional circuit law to determine whether claim preclusion may be invoked by corporate parent following patent infringement judgment against wholly owned subsidiary).

Under the doctrine of claim preclusion in the Eighth Circuit, an earlier suit bars a party from asserting a claim in a later suit if (1) the first suit resulted in a final judgment on the merits; (2) the prior judgment was rendered by a court of competent jurisdiction; (3) both suits involve the same cause of action; and (4) both suits involve the same parties or their privies. *Banks* v. *Int'l Union Elec., Elec., Technical, Salaried & Mach. Workers*, 390 F.3d 1049, 1052 (8th Cir. 2004). Two suits are based on the same cause of action if they arise out of the same nucleus of operative facts. *Id.* The parties do not dispute that the first two elements are satisfied.

Transclean argues in its briefs that its cause of action against the Participating Defendants is different from its cause of action in the Bridgewood litigation. In the earlier case, according to Transclean, Bridgewood was accused of infringing the '080 patent by *making and selling* T-Tech

machines. Here, in contrast, Transclean alleges that the defendants infringe by *using* T-Tech machines. However, this case concerns the same patent and the exact same devices that were the subject of the Bridgewood litigation. There is little doubt that a second suit against Bridgewood itself for using the same T-Tech machines that were the subject of the earlier infringement judgment would involve the same cause of action as the prior litigation under the doctrine of claim preclusion. Indeed, Transclean's attorney conceded this point at oral argument.

In our view, the real question is whether the relationship between the defendants and Bridgewood was so close that they were in privity for claim preclusion purposes. If the answer is yes, it would follow that the case before us involves the same cause of action as the Bridgewood litigation, and Transclean would be precluded from maintaining the claims in this suit. Thus, in the context of this case, we need not decide whether infringement by making and selling a patented invention and infringement by using the patented invention generally involve the same cause of action; the privity issue answers the question for us.

The issue of privity was not in dispute before the trial court because Transclean admitted several times that the defendants in this case were in privity with Bridgewood. In its amended complaint, Transclean alleged that the defendants were bound by the infringement judgment in the Bridgewood litigation. To support this claim, Transclean took the position that issue preclusion principles barred the defendants from relitigating the infringement issue. Accordingly, Transclean asserted in an interrogatory answer that Jiffy Lube and Bridgewood were in privity because Jiffy Lube purchased infringing T-Tech machines manufactured by Bridgewood. Transclean continued to press its issue preclusion theory in a summary judgment motion, alleging again that the defendants were in privity with Bridgewood. As Transclean put it, Bridgewood and the defendants in this case are "closely related" and have an "identical interest in

defeating Transclean's infringement allegations and invalidating the '080 Patent." J.A. at 895.

Having already alleged that the defendants and Bridgewood were in privity when it argued that issue preclusion barred the defendants from raising a non-infringement defense, Transclean apparently felt compelled to admit that the parties were also in privity for claim preclusion purposes. Significantly, in its opposition to Jiffy Lube's motion for summary judgment, Transclean admitted that for purposes of claim preclusion Jiffy Lube and Bridgewood "are in privity because Bridgewood was a manufacturer of the infringing product and Jiffy Lube is a user of the same infringing product." J.A. at 670. And in its appeal brief to this court, Transclean expressly stated that the "first [i.e., privity] element [of claim preclusion] is met. As the District Court noted, and as they admitted themselves, the Participating [Defendants] have a 'special . . . relationship' of privity with Bridgewood." Appellant's Br. at 25. Only in its reply brief and at oral argument did Transclean begin to retreat from its position that privity exists between Bridgewood and the Participating Defendants, at least insofar as it would bar through claim preclusion Transclean's infringement claims.

The term 'privity' is a label that expresses the conclusion that a particular nonparty in earlier litigation should be treated the same as a party to that litigation for claim preclusion purposes. *Mars*, 58 F.3d at 619. In the Eighth Circuit, privity exists when the parties are "so closely related" and their interests are "so nearly identical" that "it is fair to treat them as the same parties for purposes of determining the preclusive effect" of the first judgment. *Ruple* v. *City of Vermillion*, 714 F.2d 860, 862 (8th Cir. 1983).

It is important to recognize that under this standard, a manufacturer or seller of a product who is sued for patent infringement typically is not in privity with a party, otherwise unrelated, who does no more than purchase and use the product. *Cf. Mars*, 58 F.3d at 619 (concluding that corporate parent and its wholly owned subsidiary, defendants

in separate patent infringement suits, were in privity for claim preclusion purposes). In other words, ordinarily such parties are not so closely related and their litigation interests are not so nearly identical that a patentee's suit against one would bar a second action against the other under the doctrine of claim preclusion.

The question facing us, therefore, is how to treat Transclean's representations that Bridgewood, the manufacturer and seller of the T-Tech machine, was in privity with its customers when the actual circumstances do not necessarily support that conclusion. Transclean made a tactical decision to admit that such a "special relationship" existed, first in connection with its issue preclusion argument and then for purposes of claim preclusion as well. Should Transclean be bound by its litigation strategy—its concession that Bridgewood and its customers were in privity?

The Participating Defendants argue that Transclean's admission is binding because privity is a question of fact that can be admitted. While there is a split of authority as to whether privity is a question of law or fact, *see L & S Indus., Inc.* v. *Williams*, 989 F.2d 929, 932 (7th Cir. 1993) (citing cases from different circuits), the Eighth Circuit has treated privity as a factual question, *see Kolb* v. *Scherer Bros. Fin. Servs. Co.*, 6 F.3d 542, 544 (8th Cir. 1993). As previously explained, privity was not disputed before the trial court—Transclean agreed with the defendants that they were in privity with Bridgewood for purposes of claim preclusion. Because there were no disputed issues of material fact with respect to privity or any other elements of claim preclusion, the trial judge correctly granted summary judgment on the claim preclusion issue in view of the record before him, including Transclean's repeated admissions that Bridgewood and the defendants in this case were in privity. *See* Fed. R. Civ. P. 56(c); *Anderson* v. *Liberty Lobby, Inc.*, 477 U.S. 242, 250 (1986).

Transclean, relying on its argument that under *Birdsell* it could sue Bridgewood's customers since it had not collected

on the judgment against Bridgewood, initially believed it could avoid the application of claim preclusion even though it conceded the existence of privity between Bridgewood and its customers. Apparently recognizing the problem with that position, Transclean now contends in its reply brief that privity cannot be admitted because it is a question of law and that we are free to determine that Bridgewood and the Participating Defendants were not in privity if that conclusion is supported by the actual facts. However, even if Transclean is correct that the issue should be characterized as a legal conclusion, we think Transclean should be bound by its concession under the doctrine of judicial estoppel.

"The doctrine of judicial estoppel prohibits a party from taking inconsistent positions in the same or related litigation. The underlying purpose of the doctrine is 'to protect the integrity of the judicial process.'" *Hossaini* v. *W. Mo. Med. Ctr.*, 140 F.3d 1140, 1142-43 (8th Cir. 1998) (citations omitted); *see also Key Pharms.* v. *Hercon Labs. Corp.*, 161 F.3d 709, 715 n.1 (Fed. Cir. 1998) (collecting cases and other relevant authority). Judicial estoppel is an equitable doctrine that may be invoked by a court at its discretion. *New Hampshire* v. *Maine*, 532 U.S. 742, 750 (2001). The Supreme Court recently acknowledged the viability of the doctrine and identified several non-exclusive factors that guide a court's decision whether to apply judicial estoppel: (1) the party's later position must be "clearly inconsistent" with its earlier position; (2) the party must have succeeded in persuading a court to adopt the earlier position, thereby posing a "risk of inconsistent court determinations"; and (3) "the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." *Id.* at 750-51.

While some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well. *See* 18 James Wm. Moore et al., *Moore's Federal Practice* § 134.30 (3d ed. 2006). The Eighth Circuit has not specifically ad-

dressed whether judicial estoppel extends to legal positions, but the majority of circuits that have spoken on the issue have either squarely held that the doctrine may be applied to inconsistent legal positions or indicated that the doctrine would apply to questions of law, or at least the application of law to fact. *See* Kira A. Davis, Note, *Judicial Estoppel and Inconsistent Positions of Law Applied to Fact and Pure Law*, 89 Cornell L. Rev. 191, 202-08 (2003). In particular, the Federal Circuit has stated that a party may be judicially estopped from asserting clearly inconsistent positions on claim construction, which is a question of law. *See Interactive Gift Express, Inc.* v. *Compuserve Inc.*, 256 F.3d 1323, 1346 (Fed. Cir. 2001); *Key Pharms.*, 161 F.3d at 715. In the absence of Eighth Circuit law to the contrary, we conclude that judicial estoppel may be applied to the question of privity, whether considered a legal conclusion or a question of fact.

In this case, we find it appropriate to invoke judicial estoppel to hold Transclean to its concession that Bridgewood and its customers were in privity for claim preclusion purposes. The determination Transclean asks us to make—that Bridgewood and the defendants were not in privity for claim preclusion purposes—is clearly inconsistent with the position it advocated before the trial court and in its opening brief on appeal. The trial court accepted Transclean's admission of privity, and the defendants relied on that admission during both the trial and appellate phases of this litigation. As part of its litigation strategy, Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstances presented by this case, we believe Transclean should be held to the consequences of its choices. Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was unsuccessful. Accordingly, we affirm the trial court's grant of summary judgment in favor of the Participating Defendants.

II. Defaulting Defendants

The trial court granted judgment in favor of Transclean and against the Defaulting Defendants at a time before the merits of the suit had been aired, and before the claim preclusion issues had been fully litigated. The trial court subsequently applied issue preclusion to limit the award of damages against the Defaulting Defendants, awarding an amount lower than Transclean believed it was entitled to. That issue is before us on appeal. We need not decide the measure of damages issue, however, because we believe that Transclean's claims against the Defaulting Defendants should be barred by claim preclusion just as Transclean's claims against the Participating Defendants were barred.

Although the Defaulting Defendants did not plead claim preclusion as an affirmative defense, preclusion issues may be raised by a court sua sponte. This is precisely what the trial court in this case did when it raised the defense of issue preclusion on behalf of the Defaulting Defendants in determining the damages award against them. Although the general rule is that claim preclusion and issue preclusion must be pleaded, an exception exists where all relevant data and legal records are before the court and the demands of "comity, continuity in the law, and essential justice" mandate invocation of preclusion principles. *Damages Opinion*, 2005 WL 2406036, at *2 (citing *Warnock* v. *Pecos County, Tex.*, 116 F.3d 776, 778 (5th Cir. 1997)). The trial court found that these interests weighed in favor of applying issue preclusion to the Defaulting Defendants.[4]

We conclude that claim preclusion should be invoked in favor of the Defaulting Defendants for essentially the same reasons the trial court invoked issue preclusion on their behalf. *See Columbia Steel Fabricators, Inc.* v. *Ahlstrom Recovery*, 44 F.3d 800, 802-03 (9th Cir. 1995) (applying

[4] We note that Transclean's appeal on issue preclusion addresses only the merits; it does not challenge the trial court's decision to invoke issue preclusion in the first place.

claim preclusion sua sponte to non-appearing defendant). Transclean admitted that all the defendants in this case were in privity with Bridgewood because they purchased T-Tech machines from Bridgewood. Transclean never distinguished between the Participating Defendants and the Defaulting Defendants when it conceded privity; its later statements about privity focused on the Participating Defendants only because the trial court had already entered default judgment against the Defaulting Defendants. Transclean had a full and fair opportunity to present its arguments on privity and claim preclusion, and those arguments would not be any different with respect to the Defaulting Defendants than they are with respect to the Participating Defendants. It would be anomalous to preclude Transclean's claims against one group of defendants while allowing recovery from a second group of defendants when, as a result of Transclean's admission regarding privity, the elements of claim preclusion are satisfied for both groups. Under these circumstances, we believe that as a matter of law and fairness claim preclusion should bar Transclean's infringement claims against the Defaulting Defendants as well as those against the Participating Defendants.[5] Accordingly, the judgment against the Defaulting Defendants is reversed.

COSTS

Each party shall bear its own costs.

AFFIRMED-IN-PART and REVERSED-IN-PART

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[5] When applying claim preclusion to the Participating Defendants, the trial court was concerned with whether Transclean was or should have been aware of each defendant's use of the T-Tech machine during the pendency of the Bridgewood litigation. We think it unnecessary to make that determination for each of the Defaulting Defendants because the inquiry is subsumed in the privity issue.

APPENDIX B

UNITED STATES DISTRICT COURT

District of Minnesota

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson,	**AMENDED JUDGMENT IN A CIVIL CASE**
v.	Case Number: 02-CV-1138 (PAM/RLE)

Bill Clark Oil Co., Inc., et al.,

☐ **Jury Verdict.** This action came before the Court for a trial by jury. The issues have been tried and the jury has rendered its verdict.

☒ **Decision by Court.** This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS ORDERED AND ADJUDGED THAT:

1. Plaintiff Transclean Corporation's Motion for Order for Determination of Damages (Clerk Doc. No. 240) is **GRANTED in part and DENIED in part**;

2. Plaintiff Transclean Corporation's Motion for Entry of Default and Default Judgment against Defendant Bob Clemons d/b/a Wonder Lube (Clerk Doc. No. 242) is **GRANTED**;

a. Defendant Bob Clemons d/b/a Wonder Lube is permanently enjoined from further and continued sale or use of any automatic transmission fluid exchange device manufactured by the manufacturer of the T-Tech automatic transmission fluid charging device before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Bob Clemons d/b/a Wonder Lube, in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

3. Plaintiff Transclean Corporation's Motion for Order of Contempt against Defendant White Bear Tire & Auto, Inc. (Clerk Doc. No. 244) is **GRANTED**;

a. Defendant White Bear Tire & Auto, Inc. is **IN CONTEMPT** for violating this Court's November 5, 2003 Order for Permanent Injunction through their continued use of automatic transmission fluid exchange devices that were manufactured by T-Tech Industries, Inc. before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded its costs and attorneys' fees in an amount to be determined for bringing this Motion for Contempt against Defendant White Bear Tire & Auto, Inc.;

4. Defendants Automotive Parts Headquarters, Inc., National Bushing & Parts Co. of Mora, and Paul Meland d/b/a All Seasons Lube Center (Clerk Doc. Nos. 244, 262) are **DISMISSED with prejudice** pursuant to Federal Rule of Civil Procedure 41;

5. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant Bill Clark Oil Co., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

6. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant Royal Lube and Service, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

7. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant 13 North Express Lube, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

8. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of

Defendant Spots Quick Lube, in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

9. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant White Bear Tire & Auto, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

10. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the conduct of Defendant Ultra-Lube, Inc., in the amount of $1,650, with $1,146.70 in prejudgment interest, plus costs and attorneys' fees in an amount to be determined;

11. In accord with the Court's June 18, 2004 and November 18, 2004 Orders, summary judgment is **GRANTED** in favor of Defendants Jiffy Lube International, Inc.; Indy Lube, Inc.; Fresh Start, Inc.; Lubrication Technologies, Inc.; Walt Gislason; Perfect "10" Quick Lube, Inc.; Regional Car Wash Distributors, Inc.; Mike's In and Out 10 Minute Oil Change; and Heartland Express Lube.

October 26, 2005
Date

RICHARD D. SLETTEN, CLERK

s/Jenny Beck
(By) Jenny Beck, Deputy Clerk

APPENDIX C

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson, Plaintiffs,	Civ. File No. 02-1138 (PAM/RLE)
v.	**MEMORANDUM AND ORDER**
Bill Clark Oil Co., Inc., et al., Defendants.	

This matter is before the Court on three Motions filed by Plaintiffs Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson (collectively "Transclean"): (1) Motion for Entry of Default and Default Judgment Against Defendant Bob Clemons d/b/a Wonder Lube; (2) Motion for Determination of Damages; and (3) Motion for Contempt and Award of Sanctions against Defendants White Bear Tire & Auto, Inc. For the reasons that follow, the Motions are granted in part and denied in part.

BACKGROUND

This is a patent infringement case involving U.S. Patent 5,318,080, a patent for a machine that dispenses automatic transmission fluid ("'080 Patent"). Transclean is the exclusive licensee of the '080 Patent. In 1997, Transclean brought a patent infringement lawsuit against Bridgewood Services, Inc., the manufacturer of the T-Tech automatic transmission fluid charging device, a competing machine. Magistrate Judge Raymond L. Erickson eventually tried that case and a jury found for Transclean, awarding damages of

$1,874,500.[1] The Federal Circuit Court of Appeals affirmed the verdict and the damages award. *Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002) (*"Transclean I"*).

Shortly after the Federal Circuit's decision, Transclean instituted this action against thirty-eight Defendants, that included service stations and quick-lube centers who use the T-Tech device. Twenty-two Defendants have been voluntarily dismissed from the action.[2] Summary Judgment has been granted in favor of nine Defendants.[3] Seven Defendants are in default.[4]

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[1] The jury actually awarded Transclean approximately $5.5 million in damages, but Magistrate Judge Erickson reversed a portion of the award and entered a remittitur on a portion of the award.

[2] The following Defendants were previously dismissed from this action: Ashland Inc., d/b/a Valvoline Instant Oil Change; Chamberlain Oil Co.; Mielke Oil Co., Inc.; Beaudry Oil & Service, Inc.; C & M Trebelhorn, Inc., d/b/a Plaza Tire & Auto; S.S. Enterprises, Inc., d/b/a Professional Lube Center; Dave Norgarrd, d/b/a Crossroads Express Lube; MS Nelson, Inc., d/b/a Fridley Amoco Certicare; Tom's Repair Inc.; Wayne's Express, Inc., d/b/a Texaco Xpress Lube; Precision Auto Care, Inc.; John Larson, d/b/a Precision Tune; Mike Kost d/b/a Hi-Tech Tune Up; Tim Gleason, d/b/a Precision Tune; Dawson, Nystrom & Raiche Sales, Inc.; Car X Service Systems, Inc.; The Goodyear Tire & Rubber Company; Midas International Corporation; and Roseville Express Lube.

Pursuant to the terms of a settlement agreement, Transclean filed a Notice of Dismissal with Prejudice of Defendants Automotive Parts Headquarters, Inc. and National Bushing & Parts Co. of Mora on June 3, 2005. On September 7, 2005, Transclean also filed a Notice of Dismissal with Prejudice of Defendant Paul Meland, d/b/a All Seasons Lube Center. Accordingly, these Defendants are dismissed from this action.

[3] The Court found that claim preclusion prevented Transclean from seeking relief from the following Defendants: Regional Car Wash Distributors, Inc.; Walt Gislason, d/b/a Walt's Soft Cloth Car Wash; Perfect "10" Quick Lube, Inc.; Fresh Start, Inc.; Mike's

Transclean filed a Motion for Determination of Damages against Defendants Wonder Lube; Bill Clark Oil Co.; Royal

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In and Out 10 Minute Oil Change, LLC; Layne R. Base, d/b/a Heartland Express Lube; Lubrication Technologies, Inc.; Jiffy Lube International, Inc.; and Indy Lube, Inc.

[4] In November 2003 and November 2004, the Court entered default against these Defendants: Bill Clark Oil Co., Inc.; Royal Lube and Service, Inc.; Ultra-Lube, Inc.; 13 North Express Lube, Inc.; Spots Quick Lube, Inc.; and White Bear Tire & Auto, Inc. However, the Court declined to assess damages.

In June 2005, Transclean filed the instant Motion for Default against Defendant Bob Clemons d/b/a Wonder Lube. Under the Federal Rules of Civil Procedure, a default judgment motion may be granted only when "a party against whom a judgment for affirmative relief is sought has failed to plead or otherwise defend as provided by these rules." Fed. R. Civ. P. 55(a). This lawsuit has been pending for more than two years. Wonder Lube has failed to answer, plead, or otherwise respond despite Transclean's repeated notices to Wonder Lube that it would move for default judgment. The Court therefore finds Wonder Lube in default.

On September 13, 2005, the Court received a letter from Ken Nelson of Defendant 13 North Express Lube, Inc. Mr. Nelson, although not an attorney, objected to any characterization by Plaintiffs that 13 North Express Lube, Inc., was not in compliance with the Court's November 2003 Order, and also to any finding of contempt against it. Indeed, the evidence submitted by Mr. Nelson indicates that 13 North Express Lube, Inc. ceased using the infringing machine in September 2002. However, Plaintiffs do not seek an order of contempt against this Defendant. Rather, because the Court has already found 13 North Express Lube, Inc. in default, Plaintiffs are entitled to a determination of damages against this Defendant. *See* Fed. R. Civ. P. 55. If 13 North Express Lube, Inc. objects to the entry of default or the award of damages, then 13 North Express Lube, Inc. must obtain counsel and comply with the Federal Rules of Civil Procedures for setting aside default judgments. *See* Fed. R. Civ. P. 55; *see also Carr Enter., Inc.* v. *United States*, 698 F.2d 952, 953 (8th Cir. 1993) (corporations must be represented by counsel).

Lube and Service, Inc.; 13 North Express Lube, Inc.; Spots Quick Lube, Inc.; White Bear Tire & Auto, Inc.; and Ultra-Lube, Inc (collectively "Defaulting Defendants"). It seeks $10,000 against each Defaulting Defendant, as well as an award of prejudgment interest, costs, and attorneys' fees.

Transclean also filed a Motion for Contempt and Award of Sanctions against Defendant White Bear Tire & Auto, Inc. ("White Bear"). It contends that White Bear is violating the Court's default judgment Order by continuing to use infringing T-Tech devices to perform automatic transmission exchange services.

DISCUSSION

A. Determination of Damages

Transclean seeks an award of damages, plus prejudgment interest, attorneys' fees, and costs, against each Defaulting Defendant. In particular, Transclean seeks a royalty of $10,000 from each Defaulting Defendant. Transclean contends that it is entitled to these damages because these Defendants are in default.

In *Transclean I,* the Federal Circuit upheld the trial court's award of damages, a reasonable royalty which amounted to approximately $550 per infringing machine. *See Transclean I*, 290 F.3d at 1377. However, in this litigation, Transclean seeks $10,000 per infringing machine, premised on a use-based royalty theory of damages. In June 2004, although the Court determined that Transclean's claims against Defendant Jiffy Lube, Inc., and any other user of the T-Tech machine of which Transclean was aware or should have been aware during the pendency of *Transclean I* were precluded as a matter of law, the Court further noted the applicability of issue preclusion on the amount of damages Transclean was entitled to seek. The Court held that "[t]he issue of use-based royalty is certainly a theory of damages that could have been raised in the previous litigation," and that Transclean's failure to previously raise that theory precluded it from raising that theory in the instant litigation. (June 18, 2004

Order at 8). Accordingly, the Court determined that Transclean was limited to seeking a reasonable royalty for infringement—approximately $550 per infringing machine.

Transclean argues that the Court's June 2004 Order is inapplicable to the Defaulting Defendants, as these Defaulting Defendants waived the affirmative defense of issue preclusion because they failed to plead it as required under Federal Rule of Civil Procedure 8(c). Although the defense of issue preclusion is generally viewed as an affirmative defense that must be pled or is otherwise waived, this does not preclude the Court from raising the issue *sua sponte*. The law is clear that "if a court is on notice that it has previously decided the issue presented, the court may dismiss the action *sua sponte*, even though the defense has not been raised. This result is fully consistent with the policies underlying *res judicata*; it is not based solely on the defendant's interest in avoiding the burdens of twice defending a suit, but is also based on the avoidance of unnecessary judicial waste." *Arizona* v. *California*, 530 U.S. 392, 412 (2000) (quoting *United States* v. *Sioux Nation*, 448 U.S. 371, 432 (1980) (Rehnquist, J., dissenting)). Indeed, the "benefits of precluding relitigation of issues finally decided run not only to the litigants, but also to the judicial system." *Indep. Sch. Dist. No. 283* v. *S.D.*, 88 F.3d 556, 562 n. 5 (8th Cir. 1996). "[I]ssue preclusion serves an important public interest in avoiding inconsistent results in separate judicial proceedings," and "where the plaintiffs have had a full and fair opportunity to actually litigate the issue and did in fact litigate it, they can not ordinarily be prejudiced by subsequently being held to the prior determination." *Caldera* v. *Northrop Worldwide Aircraft Servs. Inc.*, 192 F.3d 962, 970 (Fed. Cir. 1999) (discussing waiver of issue preclusion).

Although the Court recognizes that the seven Defaulting Defendants have not participated in this litigation, the Court must consider and preserve its earlier rulings. *See Columbia Steel Fabricators, Inc.* v. *Ahlstrom Recovery*, 44 F.3d 800,

802-03 (9th Cir. 1995) (*sua sponte* applying *res judicata* to non-appearing defendant). In the interests of "comity, continuity in the law, and essential justice," as well as the fact that the defense arises out of this Court's earlier judgment, the Court raises the defense of issue preclusion *sua sponte*. *See Warnock* v. *Pecos County, Tex.*, 116 F.3d 776, 778 (5th Cir.1997); *see generally* 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 4405; 47 Am. Jur. 2d *Judgments* § 708 ("An exception to the general rule that res judicata must be pleaded exists where the latter action arises in the same court as the earlier action, thus the court has independent notice of the prior judgment, or where all relevant data and legal records are before the court and demands of comity, continuity in law, and essential justice mandate invocation of res judicata principles. In such situations, a court may entertain the issue of the preclusive effects of the earlier judgment sua sponte, consistent with the res judicata policy of avoiding judicial waste.").

"Collateral estoppel, like the related doctrine of *res judicata,* has the dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party or his privy and of promoting judicial economy by preventing needless litigation." *Parklane Hosiery Co., Inc.* v. *Shore*, 439 U.S. 322, 326 (1979) (citing *Blonder-Tongue Labs., Inc.* v. *Univ. of Ill. Found.*, 402 U.S. 313, 328-29 (1971)). Generally, collateral estoppel requires that the particular issue was actually litigated to finality and necessary to the prior action, and that the party against which it is asserted had a full and fair opportunity to litigate the issue. *See Blonder-Tongue Labs., Inc.*, 402 U.S. at 333; *Parklane Hosiery Co.*, 439 U.S. at 326 n. 5. Defensive collateral estoppel "occurs when a defendant seeks to prevent a plaintiff from asserting a claim the plaintiff has previously litigated and lost against another defendant." *Parklane Hosiery Co.*, 439 U.S. at 326 n. 4.

In *Transclean I*, Transclean had the full and fair opportunity to litigate its claim for infringement damages. The litigation proceeded through intense discovery, a lengthy jury trial, post-trial motion practice, and an appeal to the Federal Circuit Court of Appeals. Throughout that litigation, Transclean's theory of damages was premised on a reasonable royalty of approximately $550 per infringing machine. The Federal Circuit Court of Appeals upheld this damage determination, concluding that the damage award fully compensated Transclean for the infringing sales of the T-Tech machine. *Transclean I*, 290 F.3d at 1377. This damage award was actually litigated and essential to the judgment.

Despite this full and complete litigation on the issue of damages, Transclean now seeks a use-based royalty of $10,000 per machine. This proposition directly contradicts the theory of damages advanced in *Transclean I*, an issue previously decided by this Court and upheld on appeal. Transclean had full opportunity to pursue use-based damages in *Transclean I*, but only advanced the theory of reasonable royalty. Permitting Transclean to alter its theory of damages contravenes the principles of preclusion. Accordingly, the Court finds that the issue of use-based royalty is precluded and Transclean's damages are limited to reasonable royalties of approximately $550[5] per infringing machine against each of the Defaulting Defendants.

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[5] This amount is an approximation, because the Court's intense review of the record reveals that the evidence in *Transclean I* demonstrated that approximately 3400 T-Tech machines were sold by Bridgewood. (*See* Dec. 4, 2003 Pulju Decl. ¶¶ 8-9, Exs. 7-8). Transclean was awarded $1,874,500 in total damages in *Transclean I*. Thus, the amount of damages per machine is approximately $550. In an effort to conclusively determine the amount of damages, the Court therefore finds that an award of $550 per infringing machine is appropriate.

Transclean seeks an award of treble damages pursuant to 35 U.S.C. § 284 against each Defaulting Defendant.[6] Indeed, the Court deems the allegations in the Complaint as true because the Defaulting Defendants failed to answer or otherwise plead in this action. Thus, the Defaulting Defendants have willfully and intentionally infringed the '080 patent, and an award of enhanced damages is warranted. *See Rates Tech. Inc.* v. *Redfish Telemetris, Inc.*, No. 99-4644, 2001 WL 1825854, at *6 (E.D.N.Y. Dec.20, 2001) (awarding treble damages for infringement against defaulting defendant). Transclean is entitled to $1,650 from each Defaulting Defendant.

B. Prejudgment Interest

The purpose of prejudgment interest is "to ensure that the patent owner is placed in as good a position as he would have been had the infringer entered into a reasonable royalty agreement." *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 655 (1983). Accordingly, "a court should normally award prejudgment interest to afford the plaintiff full compensation for infringement." *Id.*

In *Transclean I*, the Court awarded Transclean prejudgment interest at the rate of prime plus one percent, compounded annually. The Court finds that a similar rate is appropriate in this case. Accordingly, using the average annual prime rate plus one percent compounded annually, the Court awards Transclean prejudgment interest against each Defaulting Defendant. Transclean shall submit an affidavit with the amount of prejudgment interest due on the $1,650 damage award.

C. Costs and Attorneys' Fees

Generally, "costs other than attorney's fees shall be allowed as of course to the prevailing party." Fed. R. Civ. P.

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[6] In the event that the Court awarded less than $10,000 against each Defaulting Defendant, Transclean argued in the alternative for treble damages.

54(d)(1). Because Transclean is the prevailing party, the Court awards Transclean its costs for bringing this lawsuit against the Defaulting Defendants.

Under 35 U.S.C. § 285, the Court may award attorneys' fees to the prevailing party in exceptional cases. Whether a case is "exceptional" is based on several factors, including "willful or intentional infringement, inequitable conduct before the Patent and Trademark Office, vexatious or unjustified litigation, or other misfeasant behavior." *Multiform Desiccants, Inc.* v. *Medzam, Inc.*, 133 F.3d 1473, 1481-82 (Fed. Cir. 1998). The prevailing party must show that the losing party acted in bad faith, with wrongful intent, or with gross negligence. *Machinery Corp. of Am.* v. *Gullfiber AB*, 774 F.2d 467, 473 (Fed. Cir. 1985).

Transclean contends that this case is "exceptional" because the Defaulting Defendants willfully infringed on the '080 Patent. Indeed, the Amended Complaint specifically alleges that the Defaulting Defendants willfully and intentionally infringed the '080 Patent. (Am. Comp. ¶ 62). By failing to respond to these allegations, the Defaulting Defendants have admitted they willfully and intentionally infringed the '080 Patent. Moreover, the Defaulting Defendants received actual notice of Transclean's patent rights at least by July 2002, when they were served with the Amended Complaint. Nevertheless, the Defaulting Defendants continued to use the infringing products. Because the Defaulting Defendants willfully infringed the '080 Patent, the Court finds that this is an exceptional case and will award Transclean *reasonable* attorneys' fees in an amount to be determined. The Court requests that Transclean submit a detailed affidavit to the Court itemizing its costs and fees.

D. Contempt and Sanctions

Transclean maintains that Defendant White Bear willfully infringed upon the '080 Patent-even after the Court permanently enjoined it from using any infringing T-Tech device. Transclean asks the Court to find White Bear in contempt

and sanction it accordingly. The Court may punish a party for disregarding or violating a court order. 18 U.S.C. § 401; *United States ex rel. Shell Oil Co.* v. *Barco Corp.*, 430 F.2d 998, 1000 (8th Cir. 1970). Indeed, the Court may hold a party in contempt for violating an injunction restraining him from infringing upon a patent. *Siebring* v. *Charles W. Hansen & Afsco Inc.*, 346 F.2d 474, 477 (8th Cir. 1965). "Judicial sanctions in civil contempt proceedings may, in a proper case, be employed for either or both of two purposes: to coerce the defendant into compliance with the court's order and to compensate the complainant for losses sustained." *Spindelfabrik Suessen-Schurr* v. *Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1578 (Fed. Cir. 1990). "Civil contempt may also be punished by a remedial fine, which compensates the party who won the injunction for the effects of his opponent's noncompliance." *Hutto* v. *Finney*, 437 U.S. 678, 691 (1978).

Defendant Lubrication Technologies, although not the subject of this Motion, submitted evidence suggesting that Transclean's claims against White Bear are precluded for the reasons articulated in the Court's June 18, 2004 Order. However, default was entered against White Bear in November 2003, and despite the Court's directive in the June 18, 2004 Order, White Bear has not come forward with evidence demonstrating that Transclean knew or should have been aware that White Bear was a user of the T-Tech machine. Accordingly, consistent with the Court's previous Orders, White Bear remains in default, and its continuous use of the T-Tech machine despite this Court's injunction renders it in contempt. The Court therefore awards Transclean its attorneys' fees and costs, in an amount to be determined, for bringing this Motion. The Court again requests that Transclean submit a detailed affidavit itemizing its costs and fees.

CONCLUSION

Based on the files, records, and proceedings herein, **IT IS HEREBY ORDERED** that:

1. Plaintiff Transclean Corporation's Motion for Order for Determination of Damages (Clerk Doc. No. 240) is **GRANTED in part and DENIED in part**;

2. Plaintiff Transclean Corporation's Motion for Entry of Default and Default Judgment against Defendant Bob Clemons d/b/a Wonder Lube (Clerk Doc. No. 242) is **GRANTED**;

a. Defendant Bob Clemons d/b/a Wonder Lube is permanently enjoined from further and continued sale or use of any automatic transmission fluid exchange device manufactured by the manufacturer of the T-Tech automatic transmission fluid charging device before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Bob Clemons d/b/a Wonder Lube, in the amount of $1,650 with interest to date, plus costs and attorneys' fees in an amount to be determined;

3. Plaintiff Transclean Corporation's Motion for Order of Contempt against Defendant White Bear Tire & Auto, Inc. (Clerk Doc. No. 244) is **GRANTED**;

a. Defendant White Bear Tire & Auto, Inc. is **IN CONTEMPT** for violating this Court's November 5, 2003 Order for Permanent Injunction through their continued use of automatic transmission fluid exchange devices that were manufactured by T-Tech Industries, Inc. before May 1, 1998;

b. Plaintiff Transclean Corporation is awarded its costs and attorneys' fees in an amount to be determined for bringing this Motion for Contempt against Defendant White Bear Tire & Auto, Inc.;

4. Defendants Automotive Parts Headquarters, Inc., National Bushing & Parts Co. of Mora, and Paul Meland d/b/a All Seasons Lube Center (Clerk Doc. Nos. 244, 262) are **DISMISSED with prejudice** pursuant to Federal Rule of Civil Procedure 41;

5. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Bill Clark Oil Co., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

6. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Royal Lube and Service, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

7. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant 13 North Express Lube, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

8. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Spots Quick Lube, in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

9. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant White Bear Tire & Auto, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined;

10. Plaintiff Transclean Corporation is awarded damages, in the form of a reasonable royalty, based upon the infringing conduct of Defendant Ultra-Lube, Inc., in the amount of $1,650, with interest to date, plus costs and attorneys' fees in an amount to be determined; and

11. In accord with the Court's June 18, 2004 and November 18, 2004 Orders, summary judgment is **GRANTED** in favor of Defendants Jiffy Lube International, Inc.; Indy Lube, Inc.; Fresh Start, Inc.; Lubrication Technologies, Inc.; Walt Gislason; Perfect "10" Quick Lube,

Inc.; Regional Car Wash Distributors, Inc.; Mike's In and Out 10 Minute Oil Change; and Heartland Express Lube.

LET JUDGMENT BE ENTERED ACCORDINGLY.

Dated: September 29, 2005

s/ Paul A. Magnuson
Paul A. Magnuson
United States District Court Judge

APPENDIX D

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

Transclean Corporation, James P. Viken, Jon A. Lang, and Donald E. Johnson,	Civ. File No. 02-1138 (PAM/RLE)
Plaintiffs,	
v.	**MEMORANDUM AND ORDER**
Regional Car Wash Distributors, Inc.; Automotive Parts Headquarters, Inc.; Walt Gislason d/b/a Walt's Soft Car Wash; Ultra Lube, Inc.; Bob Clemons d/b/a Wonder Lube; Fresh Start, Inc.; Mike's In and Out 10 Minute Oil Change, LLC; Layne R. Base d/b/a Heartland Express Lube; Lubrication Technologies, Inc.; National Bushing and Parts Co. of Mora; John Larson d/b/a Precision Tune; Indy Lube, Inc.; Perfect "10" Quick Lube, Inc.;	
Defendants.	

This matter is before the Court on two Motions for Summary Judgment filed by Defendant Jiffy Lube International, Inc. ("Jiffy Lube"); a Motion for Summary Judgment filed by Defendants Regional Car Wash Distributors, Inc., Walt Gislason, and Mike's In and Out 10 Minute Oil Change, LLC; three Motions for Summary Judgment or Partial Summary Judgment filed by Plaintiffs; and a Motion to Supplement the Record and a Motion to Strike, both filed by Plaintiffs. Defendants Indy Lube, Inc., Fresh Start, Inc., Lubrication Technologies, Inc., Perfect "10"

Quick Lube, Inc., Regional Car Wash Distributors, Inc., Walt Gislason, and Mike's In and Out 10 Minute Oil Change, LLC, join Jiffy Lube's Motion for Summary Judgment on claim preclusion and damages.

BACKGROUND

Plaintiff Transclean Corporation ("Transclean") is the exclusive licensee of the so-called Viken patent, U.S. Patent 5,318,080. This patent teaches a machine that dispenses automatic transmission fluid. In 1997, Transclean brought a patent infringement lawsuit in this District against the manufacturer of a competing machine, the so-called "T-Tech machine." Magistrate Judge Raymond L. Erickson eventually tried that case and the jury found for Transclean, awarding damages of $1,874,500.[1] The Federal Circuit affirmed the verdict and the damages award. *Transclean Corp.* v. *Bridgewood Servs., Inc.*, 290 F.3d 1364 (Fed. Cir. 2002) (hereinafter, *"Transclean I"*).

Shortly after the Federal Circuit's decision, Transclean and the two patent holders instituted this action against service stations and quick-lube centers who use the T-Tech machine.

DISCUSSION

A. Plaintiffs' Motion for Default Judgment as to Defendant Ultra Lube, Inc.

As stated at the hearing on the various Motions, the Court will deny without prejudice Plaintiffs' motion for a default against Defendant Ultra Lube, Inc.. The owner of Ultra Lube communicated with both the Court and Plaintiffs prior to the hearing, and thus default is inappropriate at this time.

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[1] The jury actually awarded Transclean approximately $5.5 million in damages, but Magistrate Judge Erickson reversed a portion of the award and entered a remittitur on a portion of the award.

B. Jiffy Lube's Motion on claim preclusion and damages and Plaintiffs' Motion on Jiffy Lube's affirmative defenses of collateral estoppel and res judicata

In response to Jiffy Lube's Motion, Plaintiffs submitted an opposition brief that included arguments in support of Plaintiffs' Motion for Partial Summary Judgment on Jiffy Lube's affirmative defenses of collateral estoppel and res judicata. Because Plaintiffs' Motion is in large part a response to Jiffy Lube's claim and issue preclusion arguments, the Court will discuss the two Motions together.

1. *Claim Preclusion*

Jiffy Lube contends that Transclean is precluded from bringing infringement claims against Jiffy Lube under the principles of claim preclusion. According to Jiffy Lube, because Transclean litigated the infringement issue with respect to the T-Tech machines to a final judgment, and because Transclean knew during the previous litigation that Jiffy Lube had purchased and was using T-Tech machines, Transclean is precluded from trying to get another bite at the apple by bringing infringement claims against Jiffy Lube.

Claim preclusion is a doctrine that "treats a judgment, once rendered, as the full measure of relief to be accorded between the same parties on the same 'claim' or 'cause of action." 18 Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice & Procedure § 4402 (2d ed.2002) (quoting *Kaspar Wire Works, Inc.* v. *Leco Eng'g & Mach., Inc.*, 575 F.2d 530, 535-36 (5th Cir. 1978)). "When a plaintiff obtains a judgment in his favor, his claim 'merges' in the judgment; he may seek no further relief on that claim in a separate action." *Id.* As the Supreme Court has stated, a judgment "puts an end to the cause of action, which cannot again be brought into litigation between the parties upon any ground whatever, absent fraud or some other factor invalidating the judgment." *Comm'r* v. *Sunnen*, 333 U.S. 591, 597 (1948).

The "general rule" of claim preclusion is

> when a court of competent jurisdiction has entered a final judgment on the merits of a cause of action, the parties to the suit and their privies are thereafter bound "not only to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose."

Id. (quoting *Cromwell* v. *County of Sac*, 94 U.S. (4 Otto) 351, 352 (1876)). Thus, a Court evaluating whether claim preclusion should bar a party from asserting a claim must examine: first, whether there has been a final judgment on the merits of a cause of action; second, whether the court that issued the judgment was "of competent jurisdiction;" third, whether the person seeking to preclude a claim was a party or a privy to a party in the first litigation; and fourth, whether the claim sought to be precluded either was actually litigated or is a claim that "might have been offered" in the first litigation.

There is no dispute that the *Transclean I* litigation ended in a final judgment on the merits, and that the court was properly exercising jurisdiction in that matter. Nor does Transclean dispute that Jiffy Lube is in privity with the defendant in the prior litigation. (Pls.' Opp'n Mem. at 4 ("[Jiffy Lube and Bridgewood] are in privity because Bridgewood was a manufacturer of the infringing product and Jiffy Lube is a user of the same infringing product.")). Transclean also does not dispute that its claims against Jiffy Lube were claims that could have been brought in the previous litigation. Instead, Transclean argues that preclusion is inappropriate here because Transclean has not collected on the prior judgment and thus has not been paid in full for its claims.

According to Transclean, the judgment in the first litigation was not complete, and thus does not bar Transclean's claims against Jiffy Lube. Transclean argues that the judgment in the first case is not complete because Transclean has not collected from Bridgewood the damages Transclean was

awarded by the jury. In support of this argument, Transclean cites the Supreme Court case of *Birdsell* v. *Shaliol,* 112 U.S. 485 (1884). The *Birdsell* Court noted that a patentee will be precluded from raising claims against both a manufacturer and a user of an alleged infringing machine "only when actual damages have been paid" to the patentee. *Id.* at 488-89. Transclean also cites a number of cases holding that a patentee can sue both a manufacturer and a user of an alleged infringing machine.

The issue presented here is not whether Transclean may sue both the manufacturer of the T-Tech and the users of that machine. There is no doubt that Transclean has claims against both the manufacturer and users. The issue here is whether, having failed to bring claims in the first litigation against users of which it was aware, Transclean should now be barred from raising those claims.

Birdsell does not stand for the proposition that Transclean advances. At most, *Birdsell* stands for the proposition that, if a patentee does not receive adequate compensation for an infringing machine from the manufacturer of that machine, the patentee can seek such compensation from the users of that machine. Here, Transclean does not contend that the jury award of more than $1.8 million was not adequate compensation for the T-Tech's alleged infringement of the Viken patent. Rather, Transclean claims that it did not collect this amount from Bridgewood and so should be allowed to attempt to collect from Jiffy Lube and from other users. However, Transclean does not explain why it was unable to collect on the judgment against Bridgewood, nor does Transclean offer any description of the efforts it made to collect on the judgment. If Transclean sat on its hands and failed to collect on a valid money judgment, Transclean cannot now claim to be prejudiced by that failure. Transclean's failure does not allow Transclean to avoid the application of claim preclusion. "[A] plaintiff who chooses to bring two separate actions against two tortfeasors who are

jointly responsible for the same injury runs the risk that the court will find the parties sufficiently related that the second action is barred by claim preclusion." *Mars Inc.* v. *Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616, 620 (Fed. Cir. 1995). Transclean's claims against Jiffy Lube, and against all users of the T-Tech of which Transclean was or should have been aware during the pendency of the first litigation, are precluded as a matter of law.

Several Defendants filed papers purporting to join in Jiffy Lube's Motion. However, in order to take advantage of claim preclusion, these Defendants must show that Transclean was or should have been aware of their purchase or use of the T-Tech machine during the pendency of the previous litigation. Thus, summary judgment is not appropriate as to any other Defendant until those Defendants come forward with evidence that Transclean knew or should have known about them during the *Transclean I* litigation, absent a concession by Transclean that it could have brought claims against these Defendants in the prior litigation.

2. *Damages*

It is not necessary for the Court to reach Jiffy Lube's alternative argument as to Plaintiffs' claims against Jiffy Lube. However, because some of the remaining Defendants may not be entitled to claim preclusion, it is appropriate to discuss Jiffy Lube's alternative argument, because that argument may impact Plaintiffs' claims against the remaining Defendants.

Jiffy Lube contends that Transclean should be barred from relitigating the damage award it received in the first litigation. In the previous litigation, the court determined that Transclean's damages were approximately $550 per infringing machine. In this litigation, Transclean seeks damages of approximately $10,000 per infringing machine. According to Jiffy Lube, Federal Circuit precedent prohibits the use-based royalty that Transclean seeks, and in any event, Transclean's new damages theory should be barred by issue preclusion.

Jiffy Lube argues that the Federal Circuit has held that a plaintiff in a patent infringement case cannot ask for different damages from different infringers. *Stickle* v. *Heublein*, 716 F.2d 1550, 1561-62 (Fed. Cir. 1983). Jiffy Lube contends that *Stickle* stands for the proposition that, absent evidence of a practice of use-based royalties in the industry, a patentee cannot secure damages based on a use-based royalty.

This portion of Jiffy Lube's Motion is the subject of Transclean's Motion to Supplement the Record. In the Motion to Supplement, Transclean contends that only days before Transclean's response to Jiffy Lube's Motion was due, Jiffy Lube disclosed evidence that it pays use-based royalties for some machines it uses. This evidence, Transclean claims, makes *Stickle* inapposite. Jiffy Lube does not object to supplementing the record with the evidence, but does object to Transclean's attempt to paint Jiffy Lube as somehow unethical in its disclosure of the evidence.

Ultimately, it is of no moment whether the new evidence shows a practice of use-based royalties in the quick-lube business or not. If claim preclusion does not bar all of Transclean's claims, then issue preclusion bars Transclean from pursuing different damages in this litigation than it claimed in the previous litigation. The final judgment in the prior litigation was damages of approximately $550 per infringing T-Tech machine. Transclean did not challenge on appeal either the amount of this damage award or the manner in which damages were calculated. The final award itself was a significant remittitur of the jury's damage award. Moreover, the Federal Circuit characterized the damage award as full compensation for Bridgewood's infringing sales of the T-Tech machine. *Transclean I*, 290 F.3d at 1377.

As noted above, the principles of preclusion operate to prevent a party from raising in a second litigation either an issue that was finally adjudicated in a prior litigation or an issue that could have been raised in the prior litigation. The issue of use-based royalty is certainly a theory of damages

that could have been raised in the previous litigation. Transclean chose not to raise this damages theory, and must suffer the consequences of its choice. Even if Transclean's claims against Jiffy Lube are not precluded, Transclean's use-based royalty theory of damages is precluded.

C. Jiffy Lube's Motion for Summary Judgment of Noninfringement and Plaintiffs' Motion to Strike

Because Plaintiffs' claims against Jiffy Lube are precluded as a matter of law, Jiffy Lube's Motion on the issue of noninfringement is moot.[2] Plaintiffs have moved to strike this Motion, and while the Motion to Strike is likewise moot, the situation giving rise to the Motion to Strike is worthy of comment.

Plaintiffs filed a Motion to Strike the Motion for Summary Judgment as untimely under the scheduling order for this matter. The scheduling order provided that dispositive motions would be noticed, filed, and heard on or before April 1, 2004. The original hearing date for the pending Motions was April 1. Because of the Court's schedule and the parties' schedules, the hearing was moved several times and eventually was scheduled for more than two months after the dispositive motion cut-off. After the hearing date was moved, Jiffy Lube filed the instant Motion on the issue of noninfringement. According to Jiffy Lube, the Motion is not untimely because it was filed within the time required by Local Rule 7.1(b), which sets the briefing schedule for dispositive motions based on the hearing date for the motion.

It appears to the Court that the confusion with respect to the timing of this Motion arises out of the changes to the Local Rules brought about by Electronic Case Filing. Although the Local Rules do not purport to change scheduling orders in any given case, the Local Rules drastically changed the rules for the filing of briefs. The previous

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[2] No other Defendant joined Jiffy Lube's Motion on noninfringement.

procedure was that all briefs on a motion were filed together, and only after briefing was complete would the moving party seek a hearing date from the Court. The new Local Rules provide that the moving party first secures a hearing date, and then the briefing schedule flows from that hearing date.

In this Court, at least, the new Local Rules do not alter the Court's scheduling orders. If a scheduling order requires dispositive motions to be noticed, filed, and heard by a certain date, the parties should not assume, if the hearing is ultimately moved to a date months after the dispositive motion cut-off, that any new motions may be filed after the dispositive motion cut-off. A scheduling order means what it says, and dispositive motions must be, at the very least, fully briefed by the date required in the scheduling order. The rescheduling of hearings does not toll the dispositive motion deadline absent specific order of the Court to that effect.

D. Motion of Regional Car Wash Distributors, et al.

Defendants Regional Car Wash Distributors, Inc., Walter Gislason, and Mike's In and Out 10 Minute Oil Change, LLC, move for summary judgment on the same claim preclusion and issue preclusion grounds raised in Jiffy Lube's Motion. The moving brief recites Jiffy Lube's arguments of claim preclusion and issue preclusion on damages, but does not offer any additional evidence that Transclean knew or should have known about T-Tech purchases by these Defendants.[3] Rather, the brief states generally that Transclean "introduced evidence at trial [in *Transclean I*] concerning the purchase of T-Tech machines by Jiffy Lube and other customers." (Defs.' Supp. Mem at 9). Thus, as noted above, until Defendants come forward with evidence that Transclean knew or should have known about their use of the T-Tech machines, summary judgment on claim preclusion is not appropriate as to these Defendants.

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[3] However, as in the opposition to Jiffy Lube's Motion, Transclean concedes that these Defendants and Bridgewood are in privity. (Pls.' Opp'n Mem. at 6 n.4).

There is one issue in this Motion that is not presented in Jiffy Lube's Motion. That issue is whether Defendant Walter Gislason can be liable for infringement of the T-Tech machines at all, whether or not Transclean's claims against him are precluded. Defendant Gislason is a 50% shareholder and corporate officer of Defendant Mike's In and Out 10 Minute Oil Change, LLC ("Mike's"). According to Transclean, Gislason is liable for inducing Mike's willful infringement of Transclean's patent. Transclean contends that because Mike's had notice in July 2002 that its use of the T-Tech machine infringed Transclean's patents, and because Mike's did not stop using the T-Tech machine, Mike's infringement is willful. Because Gislason allegedly knew about the notice and did nothing to stop Mike's continuing use of the infringing machine, Transclean contends that Gislason can be personally liable for Mike's infringement.[4]

As an initial matter, if Transclean's infringement claim against Mike's is barred by claim preclusion, then its claim against Gislason fails as well, because there is no liability for inducing infringement unless there is an actual infringement by the party alleged to have been induced. *See Young Dental Mfg. Co. v. Q3 Special Prods., Inc.*, 891 F. Supp. 1345, 1348 (E.D. Mo. 1995). However, if Transclean's claim against Mike's is not barred, then Gislason can be liable for inducing Mike's alleged infringement if Gislason intended to cause the infringement or encouraged Mike's to infringe. *Maxwell* v. *K Mart Corp.*, 851 F. Supp. 1343, 1349 (D. Minn. 1994) (Doty, J.). Although the citations to the record are sparse, the evidence shows that questions of fact exist as to whether Gislason was aware of Transclean's lawsuit, the Viken patent, and that Transclean had secured a judgment of

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[4] Transclean also claimed in the Amended Complaint that Gislason was personally liable for the infringement by Regional Car Wash Distributors, Inc. However, Transclean does not mention this claim in its opposition to the instant Motion and thus apparently concedes that this claim should be dismissed.

infringement against Bridgewood. Thus, questions of fact remain as to whether Gislason should have but did not stop Mike's from using the alleged infringing machines, or whether he should have sought the advice of counsel on the allegations in the Amended Complaint. The evidence in the record, taken in the light most favorable to Transclean, could establish that Gislason possessed the requisite intent to induce Mike's to infringe the patent. If Transclean's claim against Mike's survives, then its claim against Gislason for inducing Mike's infringement likewise survives.

E. Plaintiffs' Motion for Partial Summary Judgment on the affirmative defenses of waiver, estoppel, acquiescence, laches, statute of limitations, etc.

Only Jiffy Lube responded to this Motion. However, because Transclean's claims against Jiffy Lube are barred by claim preclusion, this Motion is moot as to Jiffy Lube. The Motion will be granted as to the other Defendants named in the Motion.

F. Plaintiffs' Motion on Issue Preclusion and the Affirmative Defense of Obviousness

In this Motion, Plaintiffs contend that all remaining Defendants are bound by the judgment of infringement rendered in *Transclean I* and should be precluded from claiming non-infringement. In technical terms, while Jiffy Lube seeks defensive non-mutual claim preclusion, Plaintiffs seek non-mutual offensive issue preclusion. As the Court has held, Transclean is precluded from raising infringement claims against Jiffy Lube and perhaps against other users of the T-Tech machine. However, Transclean has not established that these users are bound by the previous finding of infringement. In particular, because the determination of infringement in *Transclean I* was in large part a sanction for abuse of discovery against Bridgewood, the issue of infringement was not actually litigated in the prior litigation, as is required to apply the infringement judgment against non-parties.

The parties do not dispute the necessary elements for the application of issue preclusion. Issue preclusion will apply to bar a party or its privy from litigating issues that have previously been litigated if: (1) the issue is identical with an issue in the prior proceeding; (2) the issue was actually litigated; (3) the determination on the issue was necessary to the judgment; and (4) the party defending against preclusion had a full and fair opportunity to litigate that issue. *See Banner* v. *United States*, 238 F.3d 1348, 1354 (Fed. Cir. 2001).

There is no dispute that the infringement issues in the instant matter are identical to the infringement issues in the *Transclean I* litigation. It is interesting to note, however, that while in the context of this Motion, Transclean contends that the issues are identical, in the context of Jiffy Lube's Motion, Transclean insists that the issues are different.

The dispute between the parties on this Motion is whether the issue of infringement was "actually litigated" within the meaning of the issue preclusion doctrine. In the previous litigation, Transclean contended that the T-Tech machine infringed claims 1, 2, 3, 4, 12, and 13 of the Viken patent. These same claims are at issue in this litigation. In *Transclean I*, Magistrate Judge Erickson granted Transclean summary judgment of infringement as to claims 1, 2, 3, 4, and 12, and the jury ultimately found that Bridgewood infringed claim 13. Thus, at least at first glance, it appears that the same infringement issues in dispute in the instant matter were fully litigated in the prior litigation. However, Magistrate Judge Erickson's determination that Bridgewood infringed five claims of the patent rested on his decision to preclude Bridgewood from arguing noninfringement as a sanction for Bridgewood's failure to answer an interrogatory. *Transclean I*, 290 F.3d at 1369. Thus, the question remains whether a judgment of infringement based on a discovery sanction constitutes an actual litigation of infringement sufficient to invoke issue preclusion.

In this portion of its argument, Transclean accuses Jiffy Lube of "blatant mischaracterization" of the record by stating that the summary judgment of infringement was a discovery sanction. (Pls.' Supp. Mem. at 12). Transclean's inflammatory and baseless accusations are not well-taken. Indeed, the Federal Circuit itself recognized that the grant of summary judgment in *Transclean I* was a discovery sanction. *See Transclean I*, 290 F.3d at 1373 ("We conclude that the district court acted within its discretion when it granted summary judgment of infringement as a discovery sanction."). Transclean would be well-advised to refrain from accusations against opposing counsel that have no basis in law or fact.

Transclean also argues that, because the jury determined that Bridgewood infringed claim 13 of the patent, and because claim 13 is a dependent claim that incorporates claim 1 of the patent, the jury determined that Bridgewood infringed claim 1 of the patent. Claim 1 is the only independent claim in the patent. However, the jury in *Transclean I* was instructed that Bridgewood had infringed claim 1, and only determined whether Bridgewood infringed the single element of claim 13 that was not also found in claim 1. Thus, the argument that a finding of infringement of claim 13 necessarily means that the jury found infringement of claim 1 is disingenuous at best. Moreover, the Federal Circuit vacated the jury's verdict of infringement of claim 13, leaving the only infringement findings those based on the discovery sanction imposed by Magistrate Judge Erickson.

Transclean has cited no case, and indeed it is unlikely that there is such a case, holding that a judgment based solely on a discovery sanction constitutes "actual litigation" for the purposes of issue preclusion. Although Transclean may have had a full opportunity to present evidence on its claims of infringement, there is no doubt that Bridgewood did not. Thus, Bridgewood's privies, Defendants here, cannot be precluded from relitigating the infringement issue. Transclean's issue preclusion argument fails.

CONCLUSION

Jiffy Lube has established that claim preclusion bars Plaintiffs' claims against Jiffy Lube and against other Defendants of which Plaintiffs knew or should have known during the pendency of the previous litigation. Further, Jiffy Lube has established that, if any claims of infringement remain, Plaintiffs are limited to the per-machine damages established in the previous litigation.

Accordingly, **IT IS HEREBY ORDERED** that:

1. Plaintiffs' Motion for Default Judgment as to Defendant Ultra Lube (Clerk Doc. No. 133) is **DENIED without prejudice**;

2. Defendant Jiffy Lube's Motion for Summary Judgment on claim preclusion or, in the alternative, for partial summary judgment on damages (Clerk Doc. Nos. 144, 154) is **GRANTED**;

a. Plaintiffs' Motion to Supplement Record as to this Motion (Clerk Doc. No. 173) is **GRANTED**;

3. Defendant Jiffy Lube's Motion for Summary Judgment of non-infringement (Clerk Doc. No. 191) is DENIED as moot;

a. Plaintiffs' Motion to Strike this Motion (Clerk Doc. No. 198) is **DENIED**;

4. Defendant Regional Car Wash Distributors, et al.'s Motion for Summary Judgment (Clerk Doc. No. 164) is **DENIED** without prejudice;

5. Plaintiffs' Motion for Summary Judgment on Jiffy Lube's affirmative defenses of collateral estoppel and res judicata (Clerk Doc. No. 204) is **DENIED**;

6. Plaintiffs' Motion for Partial Summary Judgment on the affirmative defenses of waiver, estoppel, acquiescence, laches, statute of limitations (Clerk Doc. No. 177) is **DENIED as moot** as to Defendant Jiffy Lube and **GRANTED** as to other Defendants;

7. Plaintiffs' Motion for Summary Judgment on issue preclusion and the affirmative defense of obviousness (Clerk Doc. No. 177) is **DENIED**.

Dated: June 18, 2004

s/ Paul A. Magnuson
Paul A. Magnuson
United States District Court Judge

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

06-1077

TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, and DONALD E. JOHNSON,

Plaintiffs-Appellants,

v.

JIFFY LUBE INTERNATIONAL, INC.,

Defendant-Appellee,

and

REGIONAL CAR WASH DISTRIBUTORS, INC., WALT GISLASON (doing business as Walt's Soft Car Wash), and MIKE'S IN AND OUT 10 MINUTE OIL CHANGE,

Defendants-Appellees,

and

INDY LUBE, INC.,

Defendant-Appellee,

and

FRESH START, INC., LUBRICATION TECHNOLOGIES, INC., LAYNE R. BASE (doing business as Heartland Express Lube), and PERFECT "10" QUICK LUBE, INC.,

Defendants-Appellees,

and

ULTRA LUBE, INC.,

Defendant,

and

BOB CLEMONS (doing business as Wonder Lube), BILL CLARK OIL CO., INC., ROYAL LUBE SERVICE, INC., 13 NORTH EXPRESS LUBE, INC., SPOT'S QUICK LUBE, INC., and WHITE BEAR TIRE & AUTO, INC.,

Defendants.

ORDER

NOTE: This order is nonprecedential.

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and a response thereto having been invited by the court and filed by the Appellee, and the petition for rehearing and response, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on March 30, 2007.

FOR THE COURT,

/s/

Jan Horbaly

Clerk

Dated: 03/23/2007

cc: Alan M. Anderson
James W. Porodek
R. Gutenkauf, D. Hoiland, G. Anderson

TRANSCLEAN CORP. v. JIFFY LUBE, 2006-1077
(DCT -02-CV-1138)

(2)

No. 06-1691

Supreme Court, U.S.
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In The
Supreme Court of the United States

TRANSCLEAN CORPORATION, ET AL.,

Petitioners,

v.

JIFFY LUBE INTERNATIONAL, INC., ET AL.,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF FOR RESPONDENT JIFFY LUBE INTERNATIONAL, INC. IN OPPOSITION

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QUESTION PRESENTED

Whether a federal court of appeals may in its discretion apply judicial estoppel to refuse to consider a position (1) that a party takes for the first time during oral argument on appeal; (2) that is directly opposite the position the party took in its complaint, its discovery responses, its briefing in the district court, and its opening brief on appeal; and (3) that is opposite the position the district court adopted in reliance on the party's earlier statements?

RULE 29.6 STATEMENT

Shell Oil Company is the parent corporation of respondent Jiffy Lube International, Inc.

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INTRODUCTION

This case does not present the question of judicial estoppel that the Petition raises, because waiver is an independent, alternative basis for the ruling below. Petitioner Transclean argued in its complaint, its discovery responses, its summary judgment briefing in the district court, and its opening brief on appeal that privity existed between Respondents and Bridgewood Services, Inc., a defendant in a prior suit filed by Transclean. Transclean made its privity arguments consciously and for a strategic purpose—to persuade the courts to apply the doctrine of *issue* preclusion and bar Respondents from litigating certain patent infringement issues that Transclean claimed had been decided in its suit against Bridgewood. Only when it became clear to Transclean at oral argument in the Federal Circuit that its position on privity was going to cost it the case because of the doctrine of *claim* preclusion did Transclean attempt to change position and argue that privity did not exist. But by then, Transclean had conclusively waived that argument. Respondent Jiffy Lube preserved the waiver argument below. Waiver is therefore an independent bar to Transclean's new privity argument, and it precludes a grant of certiorari.

Even if the Court could reach the issue of judicial estoppel, the Federal Circuit's decision is nothing more than a correct, factbound application of the discretionary principles that this Court announced in its unanimous opinion in *New Hampshire* v. *Maine*, 532 U.S. 742 (2001). Petitioner's claims of a circuit split rely on decisions that predate *New Hampshire* and from which the circuits have receded in *New Hampshire*'s wake. No split currently exists. Even if one did exist, it would not be implicated by this case, which presents the classic facts for the

application of estoppel: A party that persuaded the court to adopt its position on how the law applied to the particular facts of its case, then "deliberately chang[ed] positions according to the exigencies of the moment," *id.*, at 750, "to the prejudice of the party who has acquiesced in the position formerly taken by [it]." *Id.*, at 749. Respondent Jiffy Lube therefore respectfully asks the Court to deny review.

Respondent Jiffy Lube does not address the second question presented by the Petition, regarding the authority of an appellate court to apply the doctrine of claim preclusion *sua sponte* to the benefit of parties who did not appear in that court. That question relates only to certain other Respondents who did not make appearances in the district court and the Federal Circuit. It does not relate to or affect Jiffy Lube.

STATEMENT OF THE CASE

This Petition arises out of two successive patent-infringement suits filed by Petitioner Transclean, the exclusive licensee of U.S. Patent No. 5,318,080 ("the Patent") owned by Petitioners James P. Viken, Jon A. Lang, and Donald E. Johnson. Transclean filed the first suit against Bridgewood Services, Inc., the manufacturer of a device to change transmission fluid that Transclean alleged infringed on the Patent. Transclean won that suit but did not collect on the judgment. Instead, it filed a second suit—the action below—against Jiffy Lube and the

other Respondents,[1] who had bought and used the same physical machines that were at issue in the first suit.

Transclean argued in the second suit that issue preclusion barred Jiffy Lube and the other Respondents from relitigating the issue of infringement because they were in privity with Bridgewood. In response, Jiffy Lube argued that, because Transclean admitted that privity existed, Transclean was barred from suing them at all by the doctrine of claim preclusion. Jiffy Lube's counter-argument did not make Transclean back off its position of privity. To the contrary, Transclean reaffirmed its privity concession repeatedly throughout the district court proceedings and on appeal and opposed claim preclusion only on other grounds. Only at oral argument on appeal in the Federal Circuit did Transclean attempt to change positions on privity. That belated switch prompted the Federal Circuit's ruling on judicial estoppel, which Transclean now asks the Court to review.

A. Transclean's First Suit To Enforce The Patent

On April 28, 1998, Transclean filed a complaint against Bridgewood Services, Inc. in the District of Minnesota, alleging that Bridgewood "has in the past and continues in the present to make, use, sell, or offer to sell products embodying the invention claimed in the ... Patent, thereby infringing the ... Patent." Court of Appeals Appendix ("C.A. App.") 384. The accused product was

[1] As the Petition explains, some of the defendants below did not answer the complaint and were defaulted. Other defendants participated in the litigation. Pet. 3-4. Jiffy Lube submits this brief only on its own behalf and not on behalf of any other respondent.

Bridgewood's T-Tech automatic-transmission fluid changing machine. *Id.*, at 383.

As a sanction for discovery violations, the district court entered summary judgment of infringement against Bridgewood on several claims of the Patent. The case then went to trial. Transclean won and obtained a final judgment against Bridgewood of $1,874,500. That final judgment reflected post-trial deductions of nearly $4 million dollars from the jury's award of damages, and the denial of costs and attorneys fees. Transclean appealed, but the Federal Circuit affirmed. *Transclean Corp.* v. *Bridgewood Services, Inc.*, 290 F.3d 1364, 1375-78, 1380 (CAFed 2002) (*Transclean I*).

B. The Proceedings Below In This, Transclean's Second, Suit To Enforce The Patent

1. Transclean's lawsuit against Jiffy Lube. Eight days after *Transclean I*, Transclean filed this suit in the District of Minnesota against Jiffy Lube and more than 30 other fast lube businesses (many of them small, independently owned shops in Minnesota). The district court had jurisdiction under 28 U.S.C. §§ 1331 and 1338(a).

Although Transclean states in its Petition that it filed this suit because it "could not" collect on its judgment against Bridgewood, Pet. 3, the timeline belies that claim, and no evidence in the record supports it. Only eight days passed between *Transclean I* and the filing of Transclean's second suit, and Transclean made no effort in the short period in the interim to collect on the judgment.

Transclean's positions in this litigation evidenced a purpose to use the infringement ruling it had obtained

through Bridgewood's discovery violations to increase its damages recovery. Transclean argued in the district court: (1) that Respondents were precluded from relitigating the issue of infringement; (2) that Transclean was not precluded from relitigating the issue of damages; and (3) that Transclean's claims against Jiffy Lube and the other Respondents were not precluded in their entirety for not having included them as defendants in the first action.

To advance its argument on issue preclusion, Transclean took the (necessary) position that privity existed between Bridgewood and Jiffy Lube and the other Respondents. In its amended complaint, Transclean alleged that Jiffy Lube and the other Respondents were "bound by the findings" of infringement and validity in *Transclean I*. C.A. App. 100. When Jiffy Lube asked in an interrogatory for the factual basis for this contention, Transclean answered that Jiffy Lube and Bridgewood were in privity:

> As a purchaser of infringing T-Tech Devices manufactured by T-Tech and/or Bridgewood Services, Inc, Jiffy Lube is in privity with T-Tech and/or Bridgewood Services, Inc. and is bound by the judgment against them.

C.A. App. 852.

Both Jiffy Lube and Transclean filed motions for summary judgment, and in the briefing on both motions, Transclean continued to take the position that Jiffy Lube and Bridgewood were in privity. To support its own motion on issue preclusion, Transclean argued that:

> [t]he Defendants in this case were in privity with Bridgewood. They are accused of infringing the same patent by using the same T-Tech Devices

> already found to fall within claims 1, 2, 3, 4, and 12 of the '080 Patent. As the manufacturer of the T-Tech Devices, Bridgewood was closely related to the users of the T-Tech Devices, and had an identical interest in defeating Transclean's infringement allegations and invalidating the '080 Patent.

C.A. App. 894-895. Transclean further argued that Bridgewood and Jiffy Lube were in privity because Jiffy Lube was "'closely related' to Bridgewood with respect to the accused devices and had 'nearly identical' interests in the outcome of the litigation." *Id.*, at 902-903.

Based in part on Transclean's privity concession, Jiffy Lube moved for summary judgment on the basis of claim preclusion. C.A. App. 358-360. Transclean opposed the motion, but not on the basis that privity was lacking. Instead, it stated to the district court that Jiffy Lube and Bridgewood were "in privity because Bridgewood was a manufacturer of the infringing product and Jiffy Lube is a user of the same infringing product," *id.*, at 670, and that "there exists privity between Bridgewood and Jiffy Lube," *id.*, at 670-671 n. 3.

2. The District Court's summary judgment decision. Based on this record, the District Court took it as given that Jiffy Lube was in privity with Bridgewood. Addressing Jiffy Lube's motion for summary judgment on claim preclusion, the District Court quoted Transclean's express admission in its brief in opposition to Jiffy Lube's motion that privity existed, Pet. App. 36a, then concluded that Transclean does not "dispute that Jiffy Lube is in privity with the defendant in the prior litigation." *Ibid.* The court determined that the remaining factors for claim

preclusion were met and therefore granted summary judgment for Jiffy Lube. *Id.*, at 37a-38a.

With respect to Transclean's motion for summary judgment of infringement based on issue preclusion, the district court began by noting that the only dispute between the parties was whether infringement was "actually litigated" in *Transclean I*. Pet. App. 44a. The District Court held that, because the ruling of infringement in *Transclean I* was assessed as a discovery sanction, the merits of the issue had not actually been litigated. *Id.*, at 44a-45a. Accordingly, Respondents could not be precluded from relitigating the infringement issue. *Id.*, at 45a.

Transclean did not move for reconsideration or rehearing on the issue of privity.

3. Proceedings in the Federal Circuit. Transclean appealed the district court's decision to the Federal Circuit, but it did not challenge the District Court's finding of privity between Jiffy Lube and Bridgewood in its opening brief on appeal. To the contrary, Transclean affirmatively argued that the district court had gotten it right and that privity existed for purposes of claim preclusion:

> "[To] prevail on a claim of [claim preclusion], the party asserting the bar must prove that (1) the parties are identical or in privity; (2) the first suit proceeded to a final judgment on the merits; and (3) the second claim is based on the same set of transactional facts as the first." *Ammex, Inc.* v. *U.S.*, 334 F.3d 1052, 1055 (Fed. Cir. 2003.)
>
> The first element is met here. As the District Court correctly noted, and as they admitted themselves, the Participating Appellees have a

> "special relationship" of privity with Bridgewood. The second element also is met. . . .

Appendix to Brief in Opposition ("App.") 5-6, *infra*. Jiffy Lube accordingly noted in its Appellee's Brief that Transclean had waived any right to challenge the existence of privity. Jiffy Lube Br. at 22 n. 5.

Nor did Transclean retract its admission in its reply brief. In a footnote, Transclean stated that, because the Federal Circuit reviews claim preclusion rulings *de novo*, the Federal Circuit "could determine that the Participating Appellees and Bridgewood were not in privity." App. 10 n. 2, *infra*. But it did not ask the Federal Circuit to so hold. Only at oral argument, after hearing the views of the panel, did Transclean finally try to retreat from its prior privity admissions.

4. The Federal Circuit's Decision. The Federal Circuit identified the issue before it as "whether, having failed to bring infringement claims against the users in the first litigation, Transclean should be barred under the doctrine of claim preclusion from bringing those claims in a second suit." Pet. App. 8a. Regarding the element of privity, the Federal Circuit explained that the "issue of privity was not in dispute before the trial court because Transclean admitted several times that the defendants in this case were in privity with Bridgewood." *Id.*, at 10a.

The only issue, therefore, was whether Transclean's prior admissions barred it from reversing its position. Pet. App. 12a-13a. The Federal Circuit explained that Transclean "initially believed it could avoid the application of claim preclusion even though it conceded the existence of privity between Bridgewood and its customers." *Id.*, at 13a. But, "[a]pparently recognizing the problem with that

position," Transclean now contended "that privity cannot be admitted because it is a question of law and that we are free to determine that Bridgewood and the Participating Defendants were not in privity if that conclusion is supported by the actual facts." *Id.* Applying this Court's decision in *New Hampshire* v. *Maine*, 532 U.S. 742 (2001), the Federal Circuit held that "even if Transclean is correct that the issue should be characterized as a legal conclusion, we think Transclean should be bound by its concession under the doctrine of judicial estoppel." Pet. App. 13a. As the Federal Circuit concluded:

> Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstance presented by this case, we believe Transclean should be held to the consequences of its choices. Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was unsuccessful.

Pet. App. 14a.

Transclean subsequently filed a Petition for Rehearing or Rehearing En Banc, which the Federal Circuit denied.

REASONS FOR DENYING THE PETITION

I. This Case Is A Poor Vehicle For Considering The Judicial-Estoppel Question, Because Petitioner's Underlying Privity Argument Is Independently Barred By Waiver.

This case is ill-suited to address the judicial-estoppel question presented in the Petition, because Transclean

consciously, repeatedly, and conclusively waived any argument that Jiffy Lube and the other Respondents were not in privity with Bridgewood in both the district court and the Federal Circuit. If the Court were to grant review, it would therefore never reach the estoppel issues, because it would simply affirm first on grounds of waiver. Alternatively, if the Court addressed the judicial-estoppel issues first, its ruling would have no practical significance, because Transclean's waiver would still independently bar it from raising its no-privity argument. The Court should therefore deny the Petition.

Transclean first waived its no-privity argument by failing to present it to the district court. Federal courts of appeals apply the discretionary doctrine of waiver to refuse to consider issues that were not first presented to the district court. A party who does not raise an argument in the district court "cannot . . . be heard to make the argument for the first time on appeal." *Golden Blount, Inc.* v. *Robert H. Peterson Co.*, 365 F.3d 1054, 1062 (CAFed 2004). *See also Orr* v. *Wal-Mart Stores, Inc.*, 297 F.3d 720, 725 (CA8 2002) (same). "If a litigant seeks to show error in a trial court's overlooking an argument, it must first present that argument to the trial court." *Sage Products, Inc.* v. *Devon Indus., Inc.*, 126 F.3d 1420, 1426 (CAFed 1997). As this Court stated, "[i]t is the general rule, of course, that a federal appellate court does not consider an issue not passed upon below." *Singleton* v. *Wulff*, 428 U.S. 106, 120 (1976). *See also Sprietsma* v. *Mercury Marine*, 537 U.S. 51, 56 n. 4 (2002) ("Because this argument was not raised below, it is waived."). Transclean never presented to the district court its argument that Respondents and Bridgewood were not in privity. Indeed, it expressly took the opposite position and asked the district court to find

that privity existed. Transclean therefore waived the right to argue on appeal that privity did not exist.

Transclean also and independently waived its no-privity argument by failing to raise the argument in its opening brief on appeal to the Federal Circuit. The courts of appeals apply the discretionary doctrine of waiver to refuse to consider issues that an appellant does not raise in its opening brief. "[A]n issue not raised by an appellant in its opening brief . . . is waived." *Becton Dickinson & Co.* v. *C.R. Bard, Inc.*, 922 F.2d 792, 800 (CAFed 1990). *See also Optivus Technology, Inc.* v. *Ion Beam Applications S.A.*, 469 F.3d 978, 989 (CAFed 2006) (same); *Ahlberg* v. *Chrysler Corp.*, 481 F.3d 630, 634 (CA8 2007) (same). This Court applies the same type of waiver rule to briefs filed with it. *See, e.g.,* Supreme Court Rule 15.2 ("Any objection to consideration of a question presented based on what occurred in the proceedings below . . . may be deemed waived unless called to the Court's attention in the brief in opposition."). Far from raising its argument that Respondents and Bridgewood were not in privity, Transclean affirmatively declared in its opening brief to the Federal Circuit that the district court had correctly concluded that they were in privity. That is an unambiguous waiver of the right later to argue the opposite.

Jiffy Lube identified Transclean's waivers in its appellee brief in the Federal Circuit. Jiffy Lube Br. at 22 n. 5. The waiver argument is therefore fully preserved and stands as an independent bar to Transclean's no-privity argument. Hence, either the Court would never reach the judicial-estoppel issues if it addressed waiver first, or its decision would have no practical significance if it addressed estoppel first but then found the privity argument

waived in any event. Because of these vehicle problems, the Court should deny review.

II. The Only Judicial-Estoppel Issue Presented For Review Is A Correct, Factbound Application Of The Court's Recent Decision In *New Hampshire* v. *Maine*.

Even if the Court could reach it, the judicial-estoppel issue is not worthy of review because the decision below is nothing more than a correct, factbound application of the controlling principles that the Court established in *New Hampshire* v. *Maine*, 532 U.S. 742, 750 (2001).

The general principles that govern judicial estoppel are already settled, because the Court devoted its unanimous opinion in *New Hampshire* to establishing them. The purpose of the doctrine is "to protect the integrity of the judicial process by prohibiting parties from deliberately changing positions according to the exigencies of the moment." 532 U.S., at 749-50 (citation and quotation marks omitted). In the words of a lower court that this Court adopted, "judicial estoppel prevents parties from playing fast and loose with the courts." *Id.*, at 750 (quotation marks omitted).

The doctrine of judicial estoppel is discretionary and its application factbound. The Court expressly declined in *New Hampshire* to establish "inflexible prerequisites or an exhaustive formula for determining the applicability of judicial estoppel." *Id.*, at 751. Instead, it laid out three factors that courts may consider, among others. First, "a party's later position must be 'clearly inconsistent' with its earlier position." *Id.*, at 750. Second, "courts regularly inquire whether the party has succeeded in persuading a

court to accept that party's earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create 'the perception that either the first or the second court was misled.'" *Id.* Third, courts consider "whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." *Id.*, at 751.

The Federal Circuit correctly quoted and applied *New Hampshire* to the facts of this case. First, the Federal Circuit correctly found that Transclean's new position was "clearly inconsistent" with its old one. As the court explained, the "determination that Transclean asks us to make—that Bridgewood and the [Respondents] were not in privity for claim preclusion purposes—is clearly inconsistent with the position it advocated before the trial court and in its opening brief on appeal." Pet. App. 14a.

Second, the Federal Circuit correctly found that Transclean had succeeded in persuading the district court to adopt its position. Just as in *New Hampshire*, Transclean agreed with the opposing side on a question of law applied to the facts of the case, and the court adopted that position in reliance on the party's position. In *New Hampshire*, the State of New Hampshire agreed with Maine on the interpretation of a 1740 decree of King George II of England setting their mutual boundary at the "Middle of the River," and this Court incorporated the interpretation into a consent decree. *Id.*, at 747. Here, Transclean agreed with Jiffy Lube that Jiffy Lube was in privity with Bridgewood for purposes of claim preclusion, and the district court relied on and adopted that position in its order on summary judgment. The "trial court accepted Transclean's admission of privity, and the

defendants relied on that admission during both the trial and appellate phases of this litigation." Pet. App. 14a. If Transclean were allowed to switch positions now, it would create the perception—because it would be true—that the district court was misled.

Third, there is no doubt that Transclean "deliberately chang[ed] positions according to the exigencies of the moment," *id.*, at 750, "to the prejudice of the party who has acquiesced in the position formerly taken by [it]." *Id.*, at 749 (quotation marks omitted). Transclean's abrupt switch from arguing that privity existed between it and Jiffy Lube to arguing that it did not exist falls within the heart of the doctrine, which aims to prevent parties from playing fast and loose with the courts. As the Federal Circuit concluded:

> As part of its litigation strategy, Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstances presented by this case, we believe Transclean should be held to the consequence of its choices. Transclean should not be permitted to reverse course this late in the proceedings simply because it now realizes its litigation strategy was unsuccessful.

Pet. App. 15a. The Federal Circuit correctly protected the courts against Transclean's opportunism. There is no reason for this Court to grant review.

Finally, to the extent that Transclean now complains that the Federal Circuit's estoppel analysis was less extensive than it would have preferred, that is a problem entirely of Transclean's own making. Transclean did not attempt its switch until oral argument, so the parties had

no opportunity to brief the issue of estoppel. The Federal Circuit was left to its own resources—and that is a reason not to grant review, but to deny it.

III. This Case Does Not Implicate Any Circuit Split.

The foregoing discussion should make it clear that this case does not implicate any circuit split. The decision below is a factbound, discretionary decision that correctly applies *New Hampshire* and does not conflict with any other circuit decision.

A. The discretionary, factbound test established by *New Hampshire* is an unlikely source for a true circuit split.

Petitioner's claim of a split ignores the existence and effect of the Court's decision in *New Hampshire*. *New Hampshire* "altered the legal landscape" of judicial estoppel. *Johnson* v. *Lindon City Corp.*, 405 F.3d 1065, 1068 (CA10 2005).

New Hampshire first of all has introduced uniformity into the general principles of judicial estoppel. The Court itself applied *New Hampshire* to resolve an estoppel issue last Term. *Zedner* v. *U.S.*, 547 U.S. ___, 126 S. Ct. 1976, 1987 (2006). Two circuit courts that categorically rejected judicial estoppel before *New Hampshire*—the Tenth Circuit and the D.C. Circuit—have reversed course and now recognize the doctrine. *Johnson*, 405 F.3d, at 1068 (CA10); *In re Smith*, 285 F.3d 6, 9 (CADC 2002). Moreover, in cases beginning in 2001 and continuing through this year, every circuit except the D.C. Circuit has expressly employed the factors articulated in *New Hampshire* in helping to determine whether or not to apply judicial

estoppel in particular cases, and the D.C. Circuit has cited the case favorably. *See Alternative System Concepts, Inc.* v. *Synopsys, Inc.*, 374 F.3d 23, 31-33 (CA1 2004); *Mulvaney Mechanical, Inc.* v. *Sheet Metal Workers Int'l Ass'n., Local 38*, 288 F.3d 491, 504 (CA2 2002), certiorari granted, vacated, and remanded on other grounds, 538 U.S. 918 (2003); *U.S.* v. *Pelullo*, 399 F.3d 197, 222-23 (CA3 2005); *1000 Friends of Maryland* v. *Browner*, 265 F.3d 216, 226-27 (CA4 2001); *Hall* v. *GE Plastic Pacific PTE, Ltd.*, 327 F.3d 391, 395-400 (CA5 2003); *Pennycuff* v. *Fentress County Bd. of Educ.*, 404 F.3d 447, 452-53 (CA6 2005); *Jarrard* v. *CDI Telecommunications, Inc.*, 408 F.3d 905, 914-15 (CA7 2005); *Stallings* v. *Hussmann Corp.*, 447 F.3d 1041, 1046-47 (CA8 2006); *Abercrombie & Fitch Co.* v. *Moose Creek, Inc.*, 486 F.3d 629, 633 (CA9 2007); *Johnson*, 405 F.3d, at 1068-69 (CA10); *Burnes* v. *Pemco Aeroplex, Inc.*, 291 F.3d 1282, 1285-86 (CA11 2002); *In re Smith*, 285 F.3d, at 9 (CADC); *Minnesota Min. & Mfg. Co.* v. *Chemque, Inc.*, 303 F.3d 1294, 1303-04 (CAFed 2002).

New Hampshire also established that the process of applying judicial estoppel's general principles is a flexible, discretionary one that turns on the particular circumstances of the case—and the circuits have embraced that aspect of the holding as well. *See Alternative System Concepts*, 374 F.3d, at 33 ("Each case tends to turn on its own facts."); *1000 Friends*, 265 F.3d, at 226 ("the circumstances under which judicial estoppel may appropriately be invoked are probably not reducible to any general formulation of principle"); *Hall*, 327 F.3d, at 396 ("judicial estoppel is an equitable doctrine invoked by a court at its discretion"); *Pennycuff*, 404 F.3d, at 453 (same); *Jarrard*, 408 F.3d, at 914 ("Judicial estoppel is an equitable doctrine to be applied flexibly with an eye toward protecting the

integrity of the judicial process."); *Johnson*, 405 F.3d, at 1068-69 (judicial estoppel is "a discretionary remedy" courts may invoke "to prevent 'improper use of judicial machinery'"); *Burnes*, 291 F.3d, at 1285 (courts have "flexibility in determining the applicability of the doctrine of judicial estoppel based on the facts of a particular case"); *Minnesota Mining*, 303 F.3d, at 1303-04 (the *New Hampshire* factors are "flexible and non-exhaustive").

B. After *New Hampshire*, no split has developed on applying judicial estoppel to questions of law.

After *New Hampshire*, the circuit split that Petitioner claims on the application of judicial estoppel to questions of law does not exist. Certainly, no circuit has indicated that the doctrine is unavailable on the facts of this case, which do not implicate a pure question of law but at most a mixed question of law applied to fact.

The Court's discussion and holding in *New Hampshire* disposes of any argument that judicial estoppel cannot be applied to inconsistent positions on questions of law. The Court did not suggest at any point in *New Hampshire* that judicial estoppel is limited to factual assertions. To the contrary, the Court stated that judicial estoppel can apply to inconsistent "positions," "argument[s]," "claim[s]," and "theories." *See* 532 U.S., at 749 (quoting *Davis* v. *Wakelee*, 156 U.S. 680, 689 (1895); *Pegram* v. *Herdrich*, 530 U.S. 211, 227 n. 8 (2000); 18 *Moore's Federal Practice* § 134.40 (3d ed. 2000); 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4477 (1981)). The cases the Court quoted and relied upon as authority, moreover, applied the doctrine to legal arguments. In the cited *Davis* case, the petitioner was estopped from challenging a judgment

whose validity he had earlier conceded. 156 U.S., at 689. In the cited case of *In re Cassidy*, 892 F.2d 637 (CA7 1990), the court not only applied judicial estoppel to a legal argument, but expressly rejected the position that it was limited to assertions of fact. *Id.*, at 641-42.

Indeed, in *New Hampshire* itself, the position that the Court estopped New Hampshire from contradicting was a *legal* position. New Hampshire was estopped from changing its position on the interpretation of a 1740 decree by King George II that established part of the boundary between New Hampshire and Maine. As this Court has held, the interpretation of written documents has historically been deemed to be a question of law for the court because "the construction of written instruments is one of those things that judges often do and are likely to do better than jurors unburdened by training in exegesis." *Markman* v. *Westview Instruments*, 517 U.S. 370, 388 (1996) (holding that the construction of patent terms is a question of law). Thus, *New Hampshire* unequivocally supports the view of the circuits that have held that judicial estoppel can apply to questions of law as well as questions of fact. Pet. 13-15. At a minimum, *New Hampshire* leaves no doubt that the doctrine was properly applied in this case, where Transclean's concession was not on a pure issue of law, but rather on the question whether privity existed between the parties on the particular facts of this case.

In addition, *New Hampshire* has tangibly changed the view of those circuits that Transclean contends had taken an "intractable" position limiting the doctrine to questions of fact. Pet. 11-13. The Second Circuit, which appeared to limit judicial estoppel to factual assertions prior to *New Hampshire*, recently issued an unpublished decision in

which the panel applied judicial estoppel to a party that had earlier represented to the court that it was making no breach of contract claim against a defendant in the litigation, *Sewell* v. *1199 Nat'l Ben. Fund for Health and Human Services*, 187 Fed. Appx. 36, 40 (CA2 Jun. 14, 2006). This Court then denied review. 127 S.Ct. 1841 (2007). The Fourth Circuit, which appeared to limit judicial estoppel to factual assertions prior to *New Hampshire*, recently softened the test by stating that this factor and other factors apply only "generally" to the doctrine and agreeing with *New Hampshire* that "the circumstances under which judicial estoppel may appropriately be invoked are probably not reducible to any general formulation of principle." *1000 Friends*, 265 F.3d, at 226-27. The Tenth Circuit, which did not recognize judicial estoppel before *New Hampshire*, now recognizes the doctrine and allows for flexibility in its application, stating only that "the position to be estopped must *generally* be one of fact rather than of law or legal theory." *Johnson*, 405 F.3d, at 1068-69 (emphasis added).

Transclean also suggests that the Sixth and Eleventh Circuits would not apply judicial estoppel outside the context of factual assertions because those circuits limit the doctrine to allegedly inconsistent statements made under oath. Pet. 13. Those circuits, however, have also retreated from their categorical requirement after *New Hampshire*. The Sixth Circuit recently applied the *New Hampshire* factors without mentioning an oath requirement. *Pennycuff*, 404 F.3d, at 452-53. The Eleventh Circuit likewise recently cited *New Hampshire* and stated that the sworn oath factor is "not inflexible or exhaustive; rather courts must always give due consideration to all of the circumstances of a particular case when considering the

applicability of this doctrine." *Burnes*, 291 F.3d, at 1285-86.

Although conceding that "Fifth Circuit law is not clear" on the issue, Transclean nonetheless argues that it appears that this circuit follows the view that judicial estoppel is limited to factual assertions. Pet. 13. Transclean's authority for that assertion is a single sentence from a footnote in a 1993 decision. Transclean ignores, however, the Fifth Circuit's lengthy discussion of *New Hampshire* in *Hall* v. *GE Plastic*. In that case, the Fifth Circuit made it clear that it has the ability to apply judicial estoppel broadly to any party that "'advance[s] one argument and then, for convenience or gamesmanship after that argument has served its purpose, advance[s] a different and inconsistent argument.'" 327 F.3d 391, 397 (CA5 2003) (quoting *Hotard* v. *State Farm Fire & Cas. Co.*, 286 F.3d 814, 818 (CA5 2002)).

The "intractable" split that Petitioner claims thus no longer exists after *New Hampshire*. Moreover, even if some split did exist about the outer bounds of how judicial estoppel applies to pure questions of law, this case would not implicate it. Some courts have held that privity is a pure question of fact, and at most it is a mixed question of law applied to fact. No decision, after *New Hampshire*, has held that the doctrine of judicial estoppel is inapplicable in the situation presented by this case, where a party urges the district court to reach one conclusion based on the facts of the case, repeats that position in its opening brief on appeal, and then at oral argument takes the exact opposite position, without any claim that the facts or the law have changed, only its strategy.

C. After *New Hampshire*, there is no disagreement among the circuits over what kind of success is necessary to trigger judicial estoppel.

Transclean's second attempt to manufacture an "intractable" circuit split is even less well grounded than the first. Transclean contends that there is a disagreement between the circuits on the kind of legal success necessary to trigger the doctrine. That is not correct. In *New Hampshire*, the Court clearly defined what "success" means in the context of judicial estoppel: "[C]ourts regularly inquire whether the party has *succeeded in persuading a court to accept that party's earlier position*, so that judicial acceptance of an inconsistent position in a later proceeding would create 'the perception that either the first or the second court was misled.'" 532 U.S., at 750 (emphasis added). The Court repeated exactly this articulation of the success factor last term in *Zedner*, 126 S. Ct., at 1987. Thus, contrary to the argument that *Transclean* makes in its petition, the Court does not require that a party must win on the merits to achieve success for purposes of judicial estoppel. Under *New Hampshire*, the "success" factor asks only whether the party succeeded in persuading a court to accept that party's earlier position.

Not a single circuit disagrees with the Court's definition of "success." Since *New Hampshire*, virtually every circuit—including the First and Third Circuits, which Transclean identifies as the sources of the claimed circuit split—has expressly defined "success" in a manner similar or identical to the Court's definition. *See Alternative System Concepts*, 374 F.3d, at 33 (CA1); *Mulvaney Mechanical*, 288 F.3d, at 504 (CA2); *Pelullo*, 399 F.3d, at 222-23 (CA3); *1000 Friends*, 265 F.3d, at 226 (CA4); *Hall*, 327

F.3d, at 396 (CA5); *Pennycuff*, 404 F.3d, at 453 (CA6); *Jarrard*, 408 F.3d, at 914 (CA7); *Stallings*, 447 F.3d, at 1047 (CA8); *Abercrombie & Fitch Co.*, 486 F.3d, at 633 (CA9); *Johnson*, 405 F.3d, at 1069 (CA10); *Burnes*, 291 F.3d, at 1285 (CA11); *Minnesota Mining*, 303 F.3d, at 1303 (CAFed).

In addition, under any definition of "success," Transclean succeeded in advancing its privity position with respect to claim preclusion in the district court. Jiffy Lube and the other Respondents did not dispute it, and the district court quoted Transclean's admission and relied on it in the court's opinion granting summary judgment.

No circuit split therefore exists, and even if there were some theoretical split, it would not be implicated by the facts of this case.

IV. Jiffy Lube Does Not Address The Second Question Presented In The Petition, Because It Relates Only To Other Respondents

In addition to the judicial-estoppel question that Jiffy Lube has addressed, the Petition raises a second question about the authority of an appellate court to apply the doctrine of claim preclusion *sua sponte* to the benefit of parties who did not appear in that court. That second question relates only to the Respondents who did not participate in the case in either the district court or the Federal Circuit. Because Jiffy Lube appeared in the case and asked for a judgment of claim preclusion in both the district court and the Federal Circuit, the second question does not apply to it, and Jiffy Lube will not address it. In the unlikely event that the Court grants review of that question, Jiffy Lube respectfully requests the Court to

state in its Order that the grant does not implicate Jiffy Lube and does not affect the judgment entered in favor of Jiffy Lube.

CONCLUSION

The petition for a writ of certiorari should be denied.

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

06-1077

TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, AND DONALD E. JOHNSON

Plaintiffs-Appellants,

v.

JIFFY LUBE INTERNATIONAL, INC.,

Defendant-Appellee,

and

REGIONAL CAR WASH DISTRIBUTORS, INC., WALT GISLASON (doing business as Walt's Soft Car Wash), and MIKE'S IN OUT 10 MINUTE OIL CHANGE,

Defendants-Appellees,

and

INDY LUBE, INC.,

Defendant-Appellee, and

FRESH START, INC., LUBRICATION TECHNOLOGIES, INC., LAYNE R. BASE (doing business as Heartland Express Lube), and PERFECT "10" QUICK LUBE, INC.,

Defendants-Appellees,

and

ULTRA-LUBE

Defendant-Appellee,

and

BOB CLEMONS (doing business as Wonder Lube), BILL CLARK OIL CO., ROYAL LUBE AND SERVICE, INC., 13 NORTH EXPRESS LUBE, INC., SPOTS QUICK LUBE, INC., and WHITE BEAR TIRE & AUTO, INC.

Defendants.

Appeal from the United States District Court for the District of Minnesota in case no. 02-CV-1138, Senior Judge Paul A. Magnuson

BRIEF OF PLAINTIFFS-APPELLANTS TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, AND DONALD E. JOHNSON

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ADDENDUM

* * *

1. The District Court Erred In Finding That The Participating Appellees Proved All Of The Elements Of Claim Preclusion.

"The general concept of claim preclusion is that when a final judgment is rendered on the merits, another action may not be maintained between the parties on the same 'claim,' and defenses that were raised or could have been raised in that action are extinguished." *Hallco Mfg. Co., Inc. v. Foster,* 256 F.3d 1290, 1294 (Fed. Cir. 2001). Claim preclusion issues that are particular to patent law, like the one presented here, must be analyzed under applicable Federal Circuit law. *Id.* at 1294. This Court reviews questions regarding claim preclusion *de novo. Faust v. United States,* 101 F.3d 675, 677 (Fed. Cir. 1996).

> [To] prevail on a claim of [claim preclusion], the party asserting the bar must prove that (1) the parties are identical or in privity; (2) the first suit proceeded to a final judgment on the merits; and (3) the second claim is based on the same set of transactional facts as the first.

Ammex, Inc. v. U.S., 334 F. 3d 1052, 1055 (Fed. Cir. 2003).

The first element is met here. As the District Court correctly noted, and as they admitted themselves, the Participating Appellees have a "special . . . relationship" of privity with Bridgewood. A6; A358, 370, 378; A864, 872, 880; A881; A882. The second element also is met. This Court affirmed the District Court's finding of infringement and validity in the Bridgewood Litigation. *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d at 1373, 1374. The Participating Appellees cannot, however, prove the third element.

* * *

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

06-1077

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v.

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Senior Judge Paul A. Magnuson

REPLY BRIEF OF PLAINTIFFS-APPELLANTS TRANSCLEAN CORPORATION, JAMES P. VIKEN, JON A. LANG, AND DONALD E. JOHNSON

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* * *

A. The Manufacturers And Other Infringers In *Birdsell* And Its Progeny Were In Privity, Just Like The Participating Appellees' And Bridgewood.

The Participating Appellees argue that neither *Birdsell* nor its progeny involved parties that were in privity. *Id.* at 34. That is incorrect. The users of the infringing machine in *Birdsell* had the same relationship with the infringing manufacturer as the Participating Appellees had with Bridgewood. Thus, if the Participating Appellees were in privity with Bridgewood, then the defendants in *Birdsell* were also in privity with the manufacturer of the infringing machine.[2]

In *Birdsell,* the Ashland Machine Company ("AMC") had previously been found to infringe the patent-in-suit by manufacturing a particular machine. *Birdsell v. Shaliol,* 485 U.S. at 485. The defendants in *Birdsell* were subsequently accused of infringing the same patent because they used one of the same machines manufactured by AMC that had previously been found to infringe. *Id.* at 485. The situation here is identical. Transclean previously proved that Bridgewood infringed United States Patent No. 5,318,080 ("the '080 Patent") by manufacturing and selling the T-Tech Device, and later sued the Participating

[2] Because this Court reviews questions regarding claim preclusion *de novo, Faust v. United States,* 101 F.3d 675, 677 (Fed. Cir. 1996), it could determine that the Participating Appellees and Bridgewood were not in privity.

Appellees for infringement of the '080 Patent by using T-Tech Devices.

If the Participating Appellees were in privity with Bridgewood, then the defendants in *Birdsell* were also in privity with AMC. That fact, however, did not dissuade the Supreme Court from allowing the patent holder to sue the users and from seeking damages for their infringement. *Birdsell v. Shaliol,* 112 U.S. at 489. Because the parties here are identically situated with the parties in *Birdsell*,[3] the same result, i.e., reversal of the lower court's claim preclusion ruling, should occur.

The *Jurgens* cases provide an even more compelling basis to reject the Participating Appellees' argument regarding privity. In *Jurgens v. McKasy*, 927 F.2d 1552 (Fed. Cir. 1991), the plaintiffs sued McKasy for distributing an infringing product and for trade dress infringement. *Id.* at 1556. The plaintiffs also sued CBK, Ltd. ("CBK"), the manufacturer of the infringing product. *Id.* They did not, however, accuse CBK of patent infringement. *Id.* Instead, CBK was only accused of infringing the plaintiffs' trade dress. *Id.* The jury found the distributor

[3] Bridgewood and the Participating Appellees are nearly identically situated with the parties in several of the other cases cited by Transclean. *See, e.g., Cold Metal Process Co. v. E.W. Bliss Co.*, 285 F.2d 231, 2242-43 (6th Cir. 1960) (reversing the dismissal of a patent holder's infringement claim against a user of mills already found to infringe in suit against their manufacturer); *Dowagiac Mfg. Co. v. Deere & Webber Co.*, 284 F. 331 (8th Cir. 1922) (allowing patent holder to sue jobber of same grain drills already found to infringe in suit against their manufacturer); *Kryptok Co. v. Stead Lens Co.*, 190 F. 767 (8th Cir. 1911) (allowing a patent holder to sue purchasers of allegedly infringing bifocal lenses while suit against manufacturer was still pending).

liable for patent and trade dress infringement, and found CBK liable for trade dress infringement. *Id.*

In *Jurgens v. CBK, Ltd.*, 80 F.3d 1566 (Fed. Cir. 1996), the same plaintiffs again sued CBK, this time claiming that it infringed the same patent by manufacturing the same product that was the subject of the previous suit. *Id.* at 1568-69. The *Jurgens* cases thus involved not only parties that were in privity, but actually involved the *same* parties. In essence, the *Jurgens* cases involved defendants with the ultimate form of privity – they were precisely the *same* entity.

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(3)

No. 06-1691

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IN THE

Supreme Court of the United States

TRANSCLEAN CORPORATION, et al.,
Petitioners,

v.

JIFFY LUBE INTERNATIONAL, INC., et al.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF FOR PETITIONERS

Respondent Jiffy Lube fails to dispel the need for certiorari on the issues that the Federal Circuit actually addressed and resolved and that are presented in the petition. Jiffy Lube does not and cannot argue that those issues were waived, for they were expressly pressed and passed upon below. Instead, Jiffy Lube's principal argument against certiorari is that it might eventually prevail on the "alternative basis," Opp. 1, that Transclean purportedly waived opposition to Jiffy Lube's claim preclusion defense. This argument was *not* a ground for the decision below and is no reason to deny certiorari. To the extent the Federal Circuit has not already resolved it adversely to Jiffy Lube, that alternative argument would be for that court to resolve on remand following reversal of its erroneous holdings on judicial estoppel.

It is not surprising that Jiffy Lube trains most of its fire on an "alternative" ground, because it cannot credibly dispute that the circuits are divided on the requirements for judicial estoppel. The circuit splits are both longstanding and recognized by courts (including the Federal Circuit in this case) as well as commentators. Moreover, contrary to Jiffy

Lube's contention, they have persisted after this Court's decision in *New Hampshire* v. *Maine*, 532 U.S. 742 (2001).

On the other question presented—whether a court of appeals has jurisdiction or discretionary authority to reverse a judgment to the benefit of a party that filed no appeal or cross-appeal—Jiffy Lube remains mute. In the court below, however, Jiffy Lube argued the point at length, contending (wrongly) that the Federal Circuit properly reversed the default judgments. Jiffy Lube now sings a different tune—most likely because it cannot argue against certiorari on an issue over which the circuits have been divided for decades and on which the Court granted certiorari once before. But that strategic decision should not prevent the Court from considering the issue. Indeed, the very reason the Federal Circuit erred was because it had no party before it urging reversal. Rather, as it has in the past, the Court can appoint an amicus to present the other side if Jiffy Lube does not.

ARGUMENT

I. THE QUESTIONS PRESENTED WERE PRESSED AND PASSED UPON BELOW.

Jiffy Lube does *not* argue that any of the questions presented in the petition have been waived. And for good reason. This Court may consider any question "'pressed or passed upon below.'" *Verizon Commc'ns, Inc.* v. *FCC*, 535 U.S. 467, 530 (2002) (citation omitted). Each of the questions in the petition was expressly passed upon by the Federal Circuit (albeit *sua sponte*) and each was expressly pressed by Transclean at its first opportunity, which was its rehearing petition. *See* Pet. App. 12a-14a, 15a-16a; Pet. 8-9. Thus, each of the questions is cognizable by the Court and Jiffy Lube does not credibly argue otherwise.

Instead, Jiffy Lube contends that there is an "alternative basis" for ruling in its favor. Opp. 1. It contends that Transclean allegedly waived its objection to a holding that Bridgewood and Jiffy Lube are in privity for claim preclusion purposes. *Id.* at 9-12. This is an alternative ground because

the Federal Circuit did *not* hold that the objection was waived but rather held that Transclean was judicially estopped from asserting it.[1] But this alternative ground is no reason to deny certiorari. This Court resolves numerous cases on the merits despite potential alternative grounds for affirmance, without those grounds precluding certiorari. Rather, the Court's nearly universal practice is to leave such arguments for remand, particularly where, as here, the lower court did not opine on them and they are not within the scope of the questions presented.[2] That includes assertions, like Jiffy Lube's, that a party has allegedly waived an argument that would need to be decided in the event of a remand. *See, e.g.*, *Nat'l Bank of N. Am.* v. *Assocs. of Obstetrics & Female Surgery, Inc.*, 425 U.S. 460, 461 (1976).

There is no reason to depart from that practice here. The Federal Circuit decided the judicial estoppel issues without opining on the alternative waiver argument, and this Court should thus do the same. Indeed, even Jiffy Lube admits that the Court can "address[] estoppel first" before reaching the waiver argument. Opp. 11. The Court should follow its normal practice and leave that issue for the Federal Circuit to resolve on remand (if it has not already done so) after reversal on the questions that were actually decided below.

In light of the *actual* record, there would be ample basis for the Federal Circuit to reject Jiffy Lube's waiver argument.[3]

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[1] In fact, the Federal Circuit implicitly *rejected* Jiffy Lube's waiver argument when the court held that Transclean *had* sought to raise its privity objection but was estopped from doing so.

[2] *See, e.g.*, *Archer* v. *Warner*, 538 U.S. 314, 322 (2003) (declining to reach alternative grounds where "the Court of Appeals did not determine the merits of either argument, both of which are, in any event, outside the scope of the question presented and insufficiently addressed below"); *West* v. *Gibson*, 527 U.S. 212, 223 (1999) (declining to address alternative grounds because "[t]hese matters fall outside the scope of the question presented in the * * * petition for certiorari") (citation omitted).

[3] To assert trial court waiver, Jiffy Lube disingenuously

As Jiffy Lube itself recognizes, waiver is a "discretionary doctrine." Opp. at 10, 11. Given that fact, the record below, and the fact that Transclean unquestionably clarified its privity objection prior to decision, *id.* at 8, there would be no sound reason for the Federal Circuit to find waiver in the event Jiffy Lube persists in raising that argument on remand.

II. THE CIRCUITS ARE SPLIT OVER THE REQUIREMENTS FOR JUDICIAL ESTOPPEL.

When it addresses the *actual* questions presented, Jiffy Lube has very little to say. On judicial estoppel, its principal argument is that "[n]o split currently exists" after this Court's decision in *New Hampshire*, because that decision "has introduced uniformity into the general principles of judicial estoppel." Opp. 1, 14. That assertion is just plain wrong. *New Hampshire* did nothing to resolve either of the splits identified in the petition.

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ellipsizes Transclean's summary judgment brief. Transclean unsuccessfully asserted privity for *issue preclusion* purposes. But when it came to *claim preclusion*, Transclean stated that although Bridgewood and Jiffy Lube were in a form of privity "as a result of their relationship as manufacturer and user of the T-Tech devices," claim preclusion was *not* warranted because "neither entity exercises control over the other, nor has either entity financed or controlled the defense of the litigation against each other." Fed. Cir. J.A. at A671 n.3. Although the petition accurately quotes this language, Pet. 4-5, Jiffy Lube's opposition brief omits the key words. *See* Opp. 6. Likewise, Jiffy Lube points to one passage in Transclean's opening appeal brief, but neglects to mention that four pages later in that same brief Transclean expressly reasserted its argument that "*Bridgewood and [Jiffy Lube] are not 'sufficiently related,' * * * for claim preclusion to apply under the general law of judgments*" because although they "are in privity as a result of being the manufacturer/seller and users, respectively, of the T-Tech Device, they are otherwise independent entities" given that "[o]ne does not exercise complete control over the others and neither * * * financed or controlled the other's defense." Transclean Opening Fed. Cir. Br. 29 (filed Dec. 30, 2005) (emphasis added).

A. Application To Questions Of Law.

One need look no further than the Federal Circuit's opinion in this very case to disprove Jiffy Lube's assertion that "[a]fter *New Hampshire*, the circuit split * * * on the application of judicial estoppel to questions of law does not exist." *Id.* at 17. The court expressly recognized the ongoing split, noting that "[w]hile some circuits have limited application of judicial estoppel to inconsistent factual assertions, others have applied the doctrine to legal conclusions as well." Pet. App. 13a.

Thus, after *New Hampshire*, the Fourth Circuit has continued to adhere to its requirement that "'the position sought to be estopped *must* be one of fact rather than law or legal theory.'" *1000 Friends of Md.* v. *Browner*, 265 F.3d 216, 226 (4th Cir. 2001) (citation omitted; emphasis added). *See also Emergency One, Inc.* v. *Am. Fire Eagle Engine Co.*, 332 F.3d 264, 274 (4th Cir. 2003). Jiffy Lube notes a cursory prefatory statement in *1000 Friends* that this and other elements are "generally" required, but the court's decisions show that it remains a mandatory requirement.[4] The Second Circuit has likewise continued to adhere to the same rule after *New Hampshire*.[5] Similarly, the Tenth Circuit first adopted that rule after *New Hampshire*. *See United States* v. *Villagrana-Flores*, 467 F.3d 1269, 1279 (10th Cir. 2006); *Johnson* v. *Lindon City Corp.*, 405 F.3d 1065, 1069 (10th Cir. 2005). Although Jiffy Lube points to the statement in *Johnson* that this element is "generally" required, the Tenth Circuit subsequently showed that it is a mandatory requirement. *See*

[4] *See Emergency One*, 332 F.3d at 274 (finding no estoppel because statement "is not a factual assertion for purposes of judicial estoppel; rather, it is a legal argument"); *1000 Friends*, 265 F.3d at 227 (finding no estoppel because, *inter alia*, the assertion was "one of law, not fact").

[5] *See* cases cited at Pet. 12 & n.7. Jiffy Lube points to an *unpublished* Second Circuit opinion, but that opinion has no precedential value, did not discuss or decide the issue, and could not overrule the uniform position of that circuit in published opinions.

Villagrana-Flores, 467 F.3d at 1279 (assertion "is a legal position, not a factual one, and therefore the first judicial estoppel factor has not been satisfied").[6]

By contrast, as Jiffy Lube does not dispute, after *New Hampshire*, five circuits—the First, Third, Seventh, Ninth, and Federal—have continued to take the opposite view that judicial estoppel applies even to assertions on questions of law. *See* Pet. 13-15; *Urbania* v. *Central States, SE & SW Areas Pension Fund*, 421 F.3d 580, 587 (7th Cir. 2005).

The split persists long after *New Hampshire* because, contrary to Jiffy Lube's assertion, Opp. 17-18, *New Hampshire* did not purport to resolve it. That decision says absolutely nothing about the issue. And Jiffy Lube is also wrong when it says that *New Hampshire* involved an assertion on a question of law. The assertion at issue was on the *factual* question of where a boundary line lay in a river. *See, e.g.*, *Gardner* v. *Bonestell*, 180 U.S. 362, 370 (1901) (whether "land in controversy was outside the exterior boundaries of the grant" was a "matter[ ] of fact" and "[n]o proposition of law controlled such findings"); *Keokuk & Hamilton Bridge Co.* v. *Illinois*, 175 U.S. 626, 631-32 (1900) ("Where that [boundary] line divided the bridge was a question of fact").

Finally, as the Federal Circuit itself recognized, the split is squarely implicated by this case. Jiffy Lube does not dispute that this Court has squarely held that privity is a question of

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[6] Jiffy Lube quibbles with whether the Sixth, Eleventh and Fifth Circuits apply that rule. Opp. 19-20. But both the Sixth and Eleventh Circuits have applied their oath requirement *after New Hampshire*. *See* Pet. 13; *see also Burnes* v. *Pemco Aeroplex, Inc.*, 291 F.3d 1282, 1285 (11th Cir. 2002) ("'it must be shown that the allegedly inconsistent positions were made under oath in a prior proceeding'") (citation omitted). And the case Jiffy Lube cites as allegedly showing the Fifth Circuit's application of the doctrine to legal assertions, Opp. 20, actually involved an assertion of *fact*. *See Hall* v. *GE Plastic Pac. PTE, Ltd.*, 327 F.3d 391, 398 (5th Cir. 2003) (assertion related to identity of party).

law. *See* Pet. 15-16. And while Jiffy Lube suggests a possible distinction between applying estoppel to pure questions of law and the application of law to fact, Opp. 20—a metaphysical distinction that no circuit has ever adopted—it is free to urge that idiosyncratic position on the merits.

B. Success Requirement.

Jiffy Lube offers no support for its contention that *New Hampshire* resolved the well-recognized circuit split as to whether judicial estoppel can apply where, as here, a party achieved no success as a result of its assertion (*see* Pet. 16-20), much less that the Court resolved the split in Jiffy Lube's favor. To the contrary, the Court applied estoppel in *New Hampshire* not simply because New Hampshire had urged a particular position it later sought to change, but rather because "New Hampshire benefited from that interpretation" by receiving a favorable settlement. 532 U.S. at 752. *See also id.* at 755 ("Having convinced this Court to accept one interpretation of 'Middle of the River,' *and having benefited from that interpretation*, New Hampshire now urges an inconsistent interpretation to gain an additional advantage at Maine's expense.") (emphasis added).

This is exactly the position urged by Transclean here and adopted by the vast majority of circuit courts: that judicial estoppel applies only where a party achieved some actual judicial success from its earlier assertion. Here, Transclean lost on its issue preclusion motion (without the District Court ever making a finding of privity); it lost on Jiffy Lube's claim preclusion motion; and it obviously lost on appeal. In these circumstances, the draconian doctrine of judicial estoppel has no place. *See* Pet. 20-21.

Jiffy Lube's real position is that judicial estoppel ought to apply because Transclean's earlier assertion, even though unsuccessful, allegedly falls within the "heart of the doctrine" which "aims to prevent parties from playing fast and loose with the courts." Opp. 14. That is, verbatim, the position taken by the minority of circuits. *See* Pet. 19-20.

Transclean believes that view is erroneous and that the rule applied in *New Hampshire* is the correct one. But it will be up to this Court, on plenary review, to decide which is right.

C. The Issues Are Important And The Lower Courts Are In Pressing Need Of Guidance.

Finally, Jiffy Lube argues that certiorari should be denied because the doctrine of judicial estoppel as currently applied is so vague and discretionary as to defy any attempt to provide definite guidance to the lower courts. Opp. 16-17. That is reason to grant certiorari, not to deny it. While there are discretionary aspects to the doctrine, the lower courts here are hopelessly divided on two clear legal issues. Jiffy Lube cites the First Circuit's decision in *Alternative Sys. Concepts, Inc.* v. *Synopsys, Inc.*, 374 F.3d 23, 33 (1st Cir. 2004), where the court noted (after *New Hampshire*) that "[t]he contours of the doctrine are hazy" and that "[e]ach case tends to turn on its own facts." The court, however, was identifying this uncertainty as a vice, not a virtue, as have numerous other courts and commentators. *See* Pet. 27-28.

Jiffy Lube nowhere denies the importance of the issues. Nor could it, given their dispositive nature and the high frequency with which they recur in every circuit. The circuit splits are persistent, mature, and irreconcilable, and the Federal Circuit expressly reached and opined upon each of the questions presented. The Court should therefore grant certiorari to resolve the confusion and provide the guidance that the lower courts have been seeking and require.

III. THE COURT SHOULD RESOLVE THE SPLIT OVER THE AUTHORITY TO REVERSE A JUDGMENT WITHOUT A CROSS-APPEAL

On the second question presented—whether a court of appeals may reverse a judgment to the benefit of a party that filed no appeal or cross-appeal—Jiffy Lube's current strategy is to remain silent in the apparent hope that the Court will ignore the issue. That was not its position in the Federal Circuit, however. When Transclean noted the Federal

Circuit's errors on this issue in its rehearing position, Jiffy Lube vigorously defended the Federal Circuit's holding. *See* Jiffy Lube's Response to Combined Petition for Rehearing or Rehearing En Banc 12-15 (filed Mar. 13, 2007). Jiffy Lube argued at length that the court acted properly in reversing the default judgments, asserting that "[t]he real issue is whether the panel had the authority to invoke claim preclusion *sua sponte* in the circumstances of this case. There is no question that it did." *Id.* at 12.

Jiffy Lube now professes a newfound loss for words. That is likely because there is no defense either to certiorari or the merits.[7] Its arguments urging the Federal Circuit to deny rehearing were meritless. It is possible that a court of appeals could reach claim preclusion *sua sponte* where the issue is properly raised by a party that filed a timely appeal or cross-appeal. *But see* Fed. R. Civ. P. 8(c) (requiring special pleading of res judicata defense). But Jiffy Lube cited no case, and Transclean knows of none, holding that an appellate court has either jurisdiction or discretionary authority to reverse a judgment, on that basis or any other, to the benefit of a party that never filed a timely appeal or cross-appeal.[8]

The Court needs no further argument in order to grant certiorari on this question, given that the Court has already done so once before. *See Zapata Indus., Inc.* v. *W.R. Grace & Co.*, 536 U.S. 990 (2002), *dismissed per stipulation*, 537 U.S. 1025 (2002). It would be perverse if the absence of the defaulting defendants in this Court led to a denial of certiorari in a case that warrants it. For the Federal Circuit erred in reversing the default judgments precisely because there was no party before it urging the point. If Jiffy Lube persists in

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[7] Jiffy Lube's alternative waiver argument would not affect this issue, because the issue goes to the court's authority and because the defaulting defendants never appeared to advance a defense.

[8] Transclean tried to explain this to the Federal Circuit in a proffered reply in support of rehearing but that court—at Jiffy Lube's urging—denied leave to file that reply.

its new vow of silence, the Court should appoint an amicus to argue the other side on the merits of that issue. The Court routinely does that when parties (typically the government) confess error in decisions that benefit them. *See, e.g.*, *Clay* v. *United States*, 537 U.S. 522 (2003); *Forney* v. *Apfel*, 524 U.S. 266 (1998). The same procedure should apply where benefited parties have simply elected not to appear at all.

At a minimum, however, the Court should vacate the Federal Circuit's judgment and remand the entire case for further consideration in light of, *inter alia*, *Bowles* v. *Russell*, 127 S. Ct. 2360 (2007). As explained in the petition, *Bowles* does not resolve the circuit split over the cross-appeal requirement. But the new decision in *Bowles* is arguably relevant to the issue and would thus warrant vacatur and remand under the flexible standard applied by this Court. *See, e.g.*, *Lawrence* v. *Chater*, 516 U.S. 163, 167-68 (1996) (GVR appropriate where "an intervening factor has arisen that has a legal bearing upon the decision").[9]

CONCLUSION

For the foregoing reasons and those in the petition, the petition should be granted and the judgment below reversed.

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[9] Because the Federal Circuit entered only one judgment, vacatur would necessarily apply to that entire judgment. Vacatur would thus require the Federal Circuit to reconsider not only its cross-appeal ruling but also the judicial estoppel ruling that was the basis for its reversal of all claims against all parties.